

THE STATE OF SMALL BUSINESS IN RURAL AMERICA

HEARING

BEFORE THE

SUBCOMMITTEE ON ANTITRUST AND RESTRAINT
OF TRADE ACTIVITIES AFFECTING
SMALL BUSINESS

OF THE

COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES

NINETY-EIGHTH CONGRESS

FIRST SESSION

NEW ULM, MINN., JUNE 13, 1983

Printed for the use of the Committee on Small Business



U.S. GOVERNMENT PRINTING OFFICE

26-083 O

WASHINGTON : 1983

H721-29

COMMITTEE ON SMALL BUSINESS

PARREN J. MITCHELL, Maryland, *Chairman*

NEAL SMITH, Iowa
JOSEPH P. ADDABBO, New York
HENRY B. GONZALEZ, Texas
JOHN J. LaFALCE, New York
BERKLEY BEDELL, Iowa
HENRY J. NOWAK, New York
THOMAS A. LUKEN, Ohio
ANDY IRELAND, Florida
IKE SKELTON, Missouri
CHARLES W. STENHOLM, Texas
ROMANO L. MAZZOLI, Kentucky
NICHOLAS MAVROULES, Massachusetts
CHARLES HATCHER, Georgia
RON WYDEN, Oregon
DENNIS E. ECKART, Ohio
GUS SAVAGE, Illinois
BUDDY ROEMER, Louisiana
NORMAN SISISKY, Virginia
FRANK McCLOSKEY, Indiana
ESTEBAN EDWARD TORRES, California
TOM J. VANDERGRUFF, Texas
JIM COOPER, Tennessee
JAMES R. "JIM" OLIN, Virginia
C. ROBIN BRITT, North Carolina
RICHARD RAY, Georgia

JOSEPH M. McDADE, Pennsylvania
SILVIO O. CONTE, Massachusetts
WILLIAM S. BROOMFIELD, Michigan
LYLE WILLIAMS, Ohio
JOHN HILER, Indiana
VIN WEBER, Minnesota
HAL DAUB, Nebraska
CHRISTOPHER H. SMITH, New Jersey
DAVID DREIER, California
GUY V. MOLINARI, New York
TOBY ROTH, Wisconsin
GENE CHAPPIE, California
SHERWOOD L. BOEHLERT, New York
MICHAEL BILIRAKIS, Florida
DAN SCHAEFER, Colorado

MAJOR L. CLARK III, *Staff Director*
THOMAS G. POWERS, *General Counsel*
LOIS LIBERTY, *Publications Specialist*
RAYMOND S. WITTIG, *Minority Counsel*

SUBCOMMITTEE ON ANTITRUST AND RESTRAINT OF TRADE ACTIVITIES AFFECTING SMALL BUSINESS

THOMAS A. LUKEN, Ohio, *Chairman*

HENRY B. GONZALEZ, Texas
ROMANO L. MAZZOLI, Kentucky
FRANK McCLOSKEY, Indiana

VIN WEBER, Minnesota
GENE CHAPPIE, California

LAWRENCE E. SABBATH, *Subcommittee Staff Director*
DAVID K. REHR, *Minority Subcommittee Professional Staff Member*

CONTENTS

	Page
Hearing held in New Ulm, Minn., June 13, 1983	1
Opening statements of:	
Luken, Hon. Thomas A., chairman, Subcommittee on Antitrust and Re-	
straint of Trade Activities Affecting Small Business	1
Weber, Hon. Vin, a Representative in Congress from the State of Minne-	
sota	3
Panels consisting of:	
Asendorf, Roger; Al Christopherson; and Karl H. Johnson	15
Heller, Roger; and Rick Hemmingsen	4
Sinclair, Vaughn O.; Leslie R. Schrupp; and Norbert A. McCrady	27
Testimony of:	
Asendorf, Roger, on behalf of the Minnesota Soybean Growers Associ-	
ation	15
Christopherson, Al, vice president, Minnesota Farm Bureau Federation....	17
Heller, Roger, accredited farm and land broker, accredited farm manager,	
and vice president, Minnesota Association of Realtors	4
Hemmingsen, Rick, executive vice president, New Ulm Area Chamber of	
Commerce	7
Johnson, Karl H., president, Minnesota Pork Producers Association	19
McCrady, Norbert A., executive vice president, Independent Bankers of	
Minnesota	33
Schrupp, Leslie R., general manager, Brown County Rural Electrical	
Association	29
Sinclair, Vaughn O., president and general manager, Watonwan Farm	
Service Co.	27
Wyczawski, Hon. Carl, mayor, city of New Ulm, Minn.	1
Additional material supplied for the hearing record:	
McCrady, Norbert A., executive vice president, Independent Bankers of	
Minnesota: Articles submitted	35

APPENDIX

Additional comments and statements for the permanent record	47
---	----

THE STATE OF SMALL BUSINESS IN RURAL AMERICA

MONDAY, JUNE 13, 1983

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON ANTI-
TRUST AND RESTRAINT OF TRADE ACTIVITIES AFFECTING
SMALL BUSINESS, COMMITTEE ON SMALL BUSINESS,

New Ulm, Minn.

The subcommittee met, pursuant to call, at 10:15 a.m., at the New Ulm Public Library, New Ulm, Minn., Hon. Thomas A. Luken (chairman of the subcommittee) presiding.

TESTIMONY OF HON. CARL WYCZAWSKI, MAYOR, CITY OF NEW ULM, MINN.

Mayor WYCZAWSKI: Good morning, ladies and gentlemen. It gives me great pleasure to welcome you to our city in Minnesota. Let's quickly extend a warm welcome to Congressman Luken and Congressman Weber. Of course, Congressman Vin is no stranger to our city, having an office in our city down on German Street.

In talking to Congressman Luken this morning—I understand he was at one time mayor of Cincinnati with a good Germanic background—we discussed our clients and our citizens here in the city of New Ulm. It certainly gives me great pleasure to welcome your staff people and all of the visitors who have come here this morning to testify.

At this time, without any further ado, I would like to turn the program over to Chairman Luken. Thank you. Let's give them a nice welcome. [Applause.]

OPENING STATEMENT OF CHAIRMAN LUKEN

Mr. LUKEN. I want to thank Mayor Wyczawski for his welcoming remarks.

As the mayor said when we were chatting very amicably and profitably about our similar constituencies, I come from Cincinnati, Ohio, which is an old German town. There is a lot of history connected with it. We were the fourth largest city in the country in 1950, so we have a lot of tradition. About 40 percent of my constituents are of German or mixed German ancestry, and we find those habits of thrift, industry, and conscientiousness in both our constituencies. Because of this, Vin and I have a great deal of common objectives in what we want to do for the country and what we want to do for our individual constituencies.

I am very happy to be here with Vin Weber, and in a minute I will turn over the chair of this subcommittee to him.

All I want to do is introduce the subject and the subcommittee. We have a long name for our subcommittee, but we will just shorten it to the Subcommittee on Antitrust and Restraint of Trade of the Small Business Committee, and we are here on small business matters.

Small business has been the backbone of the commerce of the economy of this country since its founding. Small business produces the innovation; the inventions, the know-how, the wherewithal, and most importantly, they produce jobs.

That is what we are talking about. We are talking about jobs. We are talking about the kind of community that where you have people who want to work, and where they want to produce. This is the kind of community we want to have at the local and the national level.

So, contributing to this ideal in our Congress, we have to have people with that kind of an attitude and background. One such member is Vin Weber, who has been with us now for two terms. He is a very valuable, contributing member to the Small Business Committee.

We know that Mr. Weber represents the Minnesota Sixth Congressional District, and I found that the Sixth Congressional District is very large indeed, and in this introduction my objective is not only to support Vin and what he is trying to do here, but to tell you that I represent Vin's nationality, and I represent a totally urban district. I probably only have half a dozen or so farmers and no farms of the scope that you have in this beautiful farmland.

We don't have the big farms in my district, and not even many in the surrounding area. So, from my constituency, from my background in the city council, and as mayor of Cincinnati, most of what I know is from an urban perspective.

So, what we have to do when we are in the Congress, where 435 people get together and try to hammer out legislation for the good of the whole country, we have to understand each other.

We cannot be too parochial; we cannot be too isolated from what others are doing, which is why it is good that a representative like Vin Weber can get together with urban people like myself and those from even bigger cities like New York and Chicago, so that we can come to some common understanding.

So that is what we are here for, and that is why I am here particularly, because I would like to learn more. We always find out that we learn a great deal more when we get away from Washington. They say that Washington is 78 square miles surrounded by reality, so we have come here today to partake of a little of that reality.

I said I would be brief, and as most politicians do, I have already breached that political promise, but I will now introduce your Congressman, who is making an excellent contribution working with us on the Small Business Committee, and also working with us in all of the activities of Congress, making the kind of contribution that we appreciate, and we thank you for sending him to us.

Without anything further to say, I will turn over the gavel for this Small Business Subcommittee to your Congressman Vin Weber.

OPENING STATEMENT OF HON. VIN WEBER, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. WEBER [presiding]. Thank you, Mr. Chairman. I appreciate that.

Let me just begin by saying that I really appreciate your coming out here, Mr. Chairman, because we in rural America often do get a feeling that people in the urban centers of the country do not have a real understanding of the special problems that affect the rural economy, and we appreciate an opportunity to present some of our views to someone like you who is willing to take the time and listen to some of the special problems affecting an agricultural economy.

I am anxious to hear the testimony of our witnesses today about the state of small business in rural America. I do not think that there is a more important topic that we can talk about.

I was thinking, as Mayor Wyczawski introduced us, of him as a case study. Mayor Wyczawski is a small businessman here in New Ulm and has been mayor of this community for a long time and a leader in municipal government throughout the State of Minnesota. He provides us with an excellent example of the kind of tremendous leadership that small business people provide in the rural community such as New Ulm and other communities throughout my congressional district.

Besides being the economic life blood of our small towns, the small businessmen do provide the specific leadership and the other kinds of leadership that are necessary to make our towns good and livable places for our citizens.

I want to welcome everyone here today to the first field hearing of the House Small Business Committee Subcommittee in Minnesota's Second Congressional District. I have to correct you on that, Mr. Chairman. I was in the Sixth Congressional District, but I was redistricted, so now we put the number two on my congressional district. Everything else you said about it is true, though.

This morning's hearing on the state of small business in rural America does have particular meaning for me. I was born and raised in a fourth-generation small-business family into a weekly newspaper and publishing company in the town of Slayton, which really makes New Ulm look like a blooming metropolis by comparison, Mr. Chairman.

The importance of today's topic, in my judgment, cannot be overstated. Small business, as many of us know, is the backbone of our Nation's economy. When we consider that there are over 14 million small businesses in America today, small business accounts for half of all the new technical innovations in our economy, that small businesses account for two of every three new jobs created in the United States annually, that small business activity accounts for 38 percent of our gross national product, and that small business accounts for almost 97 percent of all the business activity in our country, we can understand the central role that small business plays in our economy. Now, these facts are impressive, but we must move beyond the aggregate numbers and examine the role of small businesses past, present and future, and I am hopeful that today's hearing will do exactly that.

The three panels before us, small business in town, small business on the farm, and agribusiness in general, I believe, provides a pretty comprehensive view of the types of small businesses in rural areas. However, I want you to know that I am anxious to have individual testimony of particular small business problems and situations entered into the hearing record, Mr. Chairman. A number of the people in our audience and many that could not be with us today have submitted testimony, and I will, of course, ask that that be made a part of the record of the committee.

Before we start the hearing, I want to read a quote from an article which appeared some time ago in the Wall Street Journal. The article was by Irving Kristol and was entitled, "The Forgotten Man." He wrote:

No one is leading a crusade against him and it is probably that no one really wants to. He is merely chided, harassed, ruined and bankrupted by a political process that takes him for granted and is utterly indifferent to his problematic condition. I refer to the small businessman.

Since November 13, 1975, when Mr. Kristol's article appeared, the Congress has paid more attention to small businessmen. We have cut taxes, tried to reduce the burden of Federal regulations, sought to move interest rates lower. However, these efforts clearly have not been enough, and we can see that in the statistics that reflect small business problems today.

I envision today's hearing as an opportunity to highlight problems of small businessmen and help us try to reverse the indifference to the small businessmen shown by the Federal Government. While this hearing, of course, will not solve small businesses' economic ills, it will give those of us in Congress who work for small business additional ammunition as we debate economic policy.

So, again, Mr. Chairman, I would like to thank you for coming to New Ulm, Minn., and I would like now to open the hearing with our first panel on the state of small business in rural America.

Can we have the first panel, please?

Our first panel is on business in town, and our witnesses are Roger Heller, of the Minnesota Realtors Association, who is a businessman in Olivia, Minn., and Rick Hemmingsen, executive vice president of the New Ulm Chamber of Commerce.

Gentlemen, we welcome you this morning.

PANEL CONSISTING OF ROGER HELLER AND RICK HEMMINGSEN

TESTIMONY OF ROGER HELLER, ACCREDITED FARM AND LAND BROKER, ACCREDITED FARM MANAGER, AND VICE PRESIDENT, MINNESOTA ASSOCIATION OF REALTORS

Mr. HELLER. My name is Roger Heller. I live at Olivia, Minn., and I am active in the general real estate business specializing in farm sales and the management of farms. I also serve on the board of directors of a small town bank, and I own an active farming operation.

The business climate in the small towns of rural America is very directly related currently to the decreased farm earnings in rural America. Retailers and small businessmen in these small towns are having a difficult time. For them, interest rates are still too high.

It causes them to have difficulty carrying adequate inventories and giving the services they need to give.

When that businessman is unable to carry a sizable inventory, he is in danger of losing his customers to retailers in larger cities who may be national, publicly held companies for which capital and the cost of capital has much less consequence. Customers complain of a lack of selection and a variety in goods and services available from those small businessmen in small communities.

Bankers tell me that many small businessmen got into financial difficulty in 1980 and 1981, and now with farm income still not back to normal, those businesses are having difficulty recovering.

The Small Business Administration has historically helped in the formation of new businesses in rural areas, but their rules and regulations go to great length to prevent refinancing of existing debt. Many feel that some temporary suspension or relaxation of those rules to allow for refinancing and adequate capital formation to be competitive would now seem in order. The retention of existing businesses for many small towns is actually a bigger problem than to try to start new ones.

The existence of the Federal deficit at its present and contemplated size is the single largest deterrent to business development, in my opinion. Lenders are unwilling to make available fixed-rate, long-term or even intermediate-term loans for real estate, equipment and business improvement. Home buyers, businessmen and farmers are extremely reluctant to enter into short-term and/or variable-rate mortgages. The lessons of 1980 and 1981 and the beliefs that the Federal deficit will bring that type of interest rate increase back keeps interest rates too high, and the potential investors stay away from investing the necessary capital to get things moving.

The Tax Act of 1981 created incentive for investment. However, the interest rates and the Federal deficit are stifling investment, and, to a large extent, erasing the benefits to be gained from the Tax Act, in my opinion.

Rural businessmen would like to see Federal spending reduced further. While they do not like tax increases, many that I have talked to would rather pay a little bit more income tax when they are making a profit than to continue to pay the high interest rates when there are no profits.

The Farm and Land Institute of the National Association of Realtors is the realtor group whose membership is composed of farm and rural business brokers. I happen to belong to that institute. In 1980 and 1981, the institute membership was 8,300 members; it is now 4,600 members. In polling the dropped members for the reason they dropped, they indicated it was a lack of business activity that caused them to discontinue membership.

I happen to be the budget and finance chairman on the national level of that institute, and when we polled those respondents, many indicated they were simply no longer in the real estate business. I think that is an example of a pretty good indication what has happened to small businesses in rural areas.

The one area that I think is very important to small business is the Tax Act of 1981. The estate tax provisions were certainly im-

proved. We hear some rumblings in the halls of Congress now that that could be repealed.

The retention of the present features I think is extremely important to providing for necessary capital as sole proprietorship family-type businesses and farm operations are passed from one generation to another.

Another area—and pardon me if I might get into some areas that may not be strictly small business—but another area that I think should be changed is the role of the Farmers Home Administration. Originally, it was developed to lend to beginning and other farmers ineligible for farm credit. In their original design, they were to give farm management assistance and supervision to those farmers that were borrowing from them.

Through the years, the U.S. Congress has started numerous new programs in housing and other rural development programs, and those have been laid onto the local Farmers Home Administration offices for administration without providing those offices increased staff and increased training to take care of those programs. Consequently, the farm management assistance and the supervision of those farm operating loans has gotten woefully inadequate.

In my opinion, one of the main reasons that we have huge numbers of delinquent loans, and Farmers Home Administration borrowers are in financial difficulty, is the fact that that management time was no longer available.

Also, rigid and unrealistic Farmers Home Administration lending regulations have prevented many troubled borrowers from solving the problems of the delinquent farm-secured loans. The FHA should meet, in my opinion, with farm real estate experts and ag banking experts, and listen to the plans that they have to help correct that situation. I have seen many farmers forced into bankruptcy when commonsense lending practice could have prevented it.

Another area of concern to those of us in rural Minnesota is the uncertainty and weakness of our export markets. The use of embargoes and sanctions have all but ruined our farm export business. Further talk about protectionism and favoritism with shipping our commodities with U.S. carriers could destroy it further and create a genuine crisis in rural America, in my opinion.

I might add, also, that the high interest rates that we have, have created a very strong American dollar compared to other currencies, and that has had a very detrimental effect on our export community.

The one other area I would like to just mention is there is talk, of course, that banks and savings and loan associations would be permitted to enter into various other kinds of businesses like real estate brokerage and property management.

I would like to urge a very careful look at that before that is done, because I have seen some huge conflicts of interest arise when lenders are in other areas. I have seen them make very bad loans so they could generate commissions for the real estate department or the property management department in their bank.

You see, many States now permit State chartered banks to do exactly that, and I have seen some terrific abuses in that area.

Gentlemen, that concludes my area of comments. I thank you very much for this opportunity to be here to make those comments.

Mr. WEBER. Thank you. I think, with all the panels, we will go through the testimony first and then, if you can stay, we will proceed with questions.

**TESTIMONY OF RICK HEMMINGSEN, EXECUTIVE VICE
PRESIDENT, NEW ULM AREA CHAMBER OF COMMERCE**

Mr. HEMMINGSEN. My name is Rick Hemmingsen. I am executive vice president of the New Ulm Area Chamber of Commerce, located here in New Ulm, Minn.

I am here today as a representative of the more than 260 businesses and industries that are members of the chamber of commerce. Our membership involves approximately two-thirds of all businesses located in New Ulm and accounts for roughly 70 percent of the existing jobs in the community.

A considerable amount of time and effort has been spent by the chamber over its 42-year history seeing to it that New Ulm would become and then remain a viable, healthy trade center for southwestern Minnesota. I do not believe it would be of any great revelation to say that in the past few years, it has been very difficult to own and operate a business and still make a profit. One indicator of that is New Ulm's rather slow growth in retail sales.

Based on figures provided by the Minnesota Department of Revenue, retail sales in New Ulm have grown at a moderate 1.4 percent annual rate since 1978. Over that same period of time, sales in the 18-county region have grown annually at 5.1 percent. The State of Minnesota is roughly at 5.7 percent. Even though those figures represent only retail sales, we feel it does give a good indication of what has been happening with the total business community.

In spite of those statistics, I can say that the attitude of the business community toward future growth is one of reserved optimism. The belief is that there are better days ahead. However, that belief is tempered somewhat by a number of factors. Time does not allow me to cover all of them. However, there are three main areas of concern that I would like to address.

First, the key to our business growth in the New Ulm area is very simply agriculture. As the farmer goes, so goes the rest of New Ulm. I am not in the position to go into specifics, but I trust the gentlemen here representing the agribusiness industry today will go into some greater detail.

Suffice it to say, as far as our prospective from the business community goes, that agriculture is simply not moving fast enough. Any assistance in getting farming back to a profitable level would create a very positive impact on the New Ulm business community.

Second, interest rates play a vital role in whether or not our businesses can survive. I know it is easier said than done, but the slowing down of Federal spending and the reduction of the Federal deficit would help significantly in keeping interest rates at a palatable level. The recent drop in rates has helped business somewhat. However, concern over how long these rates can stay down have made people very cautious when it comes to planning and expansion programs.

Third, more regulations we don't need. When it comes to growth of business and the generation of jobs, we have enough problems

dealing with our local and State regulations. Adding any further Federal restrictions only compounds the problem. For example, the 10 percent withholding of interest and dividend income is unnecessary and unfair. Withholding would adversely affect our local banks and savings and loan institutions.

On the other hand, when regulations can be simplified and reduced, such as the Small Business Administration's loan packaging program, it makes it much easier to use that program and helps those who need assistance.

In short, the more our elected officials can do to reduce the restraints on business, the better off we will be.

In closing, as far as our business community is concerned, the state of small business in rural America is down, but it is definitely not out. There is a tremendous amount of pride in this community and a belief that New Ulm will survive. All we ask is that we be allowed to go about our business with a minimum amount of interference.

Gentlemen, that, in a nutshell, is what we represent. I thank you for this opportunity and would be more than happy to answer any questions.

Mr. WEBER. I would like to thank you both very much. I will open the questioning, first of all, by saying that I think you have presented a pretty good overview of some of the problems that I hear all the time. I would like to go a little bit more into background, partially because I want to get it onto the committee record, even though maybe some of the things will be a little repetitive.

Mr. Heller, could you talk a little bit about what has happened to land values over the last 10 years? The point I am trying to bring out is a couple of things: First of all, what has happened to the farmers' equity position, how that has affected them, and, second, I want to move into the estate tax question a little bit.

So, can you start, since I know you are in business in a number of different ways, and can you sort of trace to us what has happened to Renville County land values over the last 10 to 12 years?

Mr. HELLER. Well, land values from 1970 to 1981 have escalated rather rapidly. They escalated at or about the rate of inflation.

Normally, land values escalate a little bit annually due to the increases in productivity. Going back 40 years, we see about a 3- or 4-percent increase in land values, even if there was no inflation; then with inflation during the 1970's had a very rapid increase in farm land values.

Since the agricultural problems started in 1980, we have seen a decline in the sales price of farmland in our area and in the area that we work in at about the 20- to 25-percent level. Now, land values increased as high as 12 to 20 percent per year in some years in the mid-1970's. They did not average quite that. I believe there was about a 14-percent increase during that 10-year period, but we have had now about a 25-percent decline from the top 2 years ago.

Mr. WEBER. I know this requires a judgment on your part, but I noticed you also mentioned you are on the board of directors of the bank there. How much of the farm problem do you think is attributable to that decline in the last couple of years in land values?

Mr. HELLER. Well, certainly some of it is. The real problem, of course, is in the case of farm earnings. The farm earnings simply do not permit these farms to cashflow, and the farmers that are having the difficulty are those that have quite a bit of debt and expanded very rapidly during that period.

Mr. WEBER. You mentioned one issue that I think is very important in your testimony, and that is the estate tax. As you know, we have passed legislation which would raise the exemption for estate tax over a phased period of time.

There is a proposal to either freeze it at the existing level or even, in one case, to roll it back to the \$175,000 level that existed prior to the legislation that we passed in 1981.

Can you explain how that would impact on an average small business or farm in Renville County?

Mr. HELLER. Well, the obvious thing is that, while farm prices may have declined, at least for the time being, the fact is that any efficient family-sized farm is still a very highly capitalized, highly capital-intensive business requiring large amounts of capital, and, in my opinion, it is very necessary for the scheduling in of the exemptions to be continued because, at the present levels, if it was frozen at the present levels, it would create a large tax burden and create the breaking up of a lot of family farms. They simply could not pass on from one generation to another. If it happens in family farms, it happens in other types of businesses, and sole proprietorships, also. But we do know that farms and farmland is very capital intensive.

Mr. WEBER. I would like to ask both of you, for your comments on the PIK program and particularly, not as it relates to farmers, because I think we are going to ask a later panel that impact. I am interested in how our agribusiness people in the communities are viewing the PIK program.

As you are aware, when it was announced, one of our major concerns was how it would affect farm stores and implement dealers and other people who make their livelihood selling direct to farmers.

What do you hear in each of your communities from those people about the PIK program generally and their economic conditions, more specifically?

Mr. HEMMINGSEN. Primarily with the PIK program I guess I have a mixed reaction that we have been getting back from our members. Again, we represent a very broad-based organization within the community. Some are definitely heavily involved in the agribusiness industry and that, it is my understanding, will be of some hurt to them as far as fertilizer, seed, implement sales, or whatever. However, we have a number of people that I would say—roughly three-quarters of the people we represent are in the retail trade area—are encouraged.

Basically, what they view it as is a short-term fix. It is not a solution to the overall program or long-range problem. However, it is going to provide a shot in the arm for our people on Broadway, New Ulm, Minn.

Mr. HELLER. Again, the effect of the PIK program, as I see it, is varied. There are certain types of agribusinesses that were very directly impacted.

As an example, we had three seed-corn production facilities in our little town of Olivia. Two of them were affected very drastically. They happened to be merged companies with headquarters elsewhere than at Olivia. Both of them closed up their facilities as a result of the PIK program, leaving about an additional 30 families unemployed in our little community. They indicate that they will do some restructuring. In one case they definitely do not plan to reopen. Now, whether or not their plans would have gone that direction eventually, I don't know, but certainly the PIK program triggered their decision. It brought about their decision right quick to make the move.

That has hurt our little community. Other agribusinesses are adjusting and faring pretty well.

Mr. WEBER. One last question for Mr. Heller: I would like you to expand a little bit since our committee does have direct jurisdiction over the Small Business Administration on your comments on how the SBA can be of more help in aiding on the restructuring of debt. Can you expand a little bit on those comments, please?

Mr. HELLER. Well, I can do it perhaps only generally, and I know that you have other people today that represent the banking industry, and I would suggest maybe you ask that question of them, also. Sitting in on the loan committee of our bank, we have been faced with businessmen like automobile dealers, as an example, who needed to refinance existing debt and to be able to have adequate capital stock to maintain automobile inventories and the like, and it simply we were not able to restructure existing debt under the present Small Business Administration rules.

It has created some problems. I guess that at least some bankers feel that a certain degree of flexibility, at least on a short-term basis, to permit restructuring of businesses project to be sound businesses at least, not a bailout or one that is going to go down the drain, but rather restructuring for that that can show a profit if it is restructured.

Mr. WEBER. Do you know specifically how we could address that? Do we need a change in SBA regulations to permit that?

Mr. HELLER. In my opinion, you do, and I think you should again confer with the bankers that do get involved in small business loans to get the specifics on that.

Mr. WEBER. Do you want to respond to that, too, Mr. Hemmingsen? You mentioned SBA loan packaging in your testimony.

Mr. HEMMINGSEN. It has helped considerably as far as just cutting through the paperwork involved. I am speaking from the applicant's standpoint. There is much more of a feeling that it is not that difficult to go through the program again.

One thing I would like to address on the SBA that we would like to see improved—just from an organizational standpoint—has been the assistance of the small business assistance program that SBA does have. We use that extensively in New Ulm, and it has not really been used to its fullest.

We at the chamber intend on increasing that activity much more. Anything that we can get in that respect, whether it is publications, field training sessions, this type of thing coming out and providing people, if nothing else, in the chamber's material in

which to convey how to run your business or how to start business or how to keep in business, would be extremely helpful.

Mr. WEBER. We have seen some cutbacks in SBA personnel in the last couple years. Have either of you, in your contacts with SBA, noticed the effects of those cutbacks in service provided to your areas?

Mr. HEMMINGSEN. Not that I can say right offhand, no.

Mr. HELLER. I cannot say that it has. Again, the amount of activity that I would personally have would be rather limited in that area.

Mr. WEBER. Well, the SBA officials have told us that it has not resulted in any cutbacks, and we think that is the case, but I wanted to hear it a little bit straight from the horse's mouth.

I have no further questions.

Mr. Luken.

Mr. LUKEN. Thank you, Mr. Weber.

Mr. Heller, you are obviously experienced and you have presented a very cogent case here on behalf of rural real estate. You have had a good deal of experience in real estate and generally in the rural areas. Right?

Do you find that in these last 6 months, 9 months or so, that the real estate industry has come back a great deal? It seems to have in the urban areas.

Mr. HELLER. That I believe.

Mr. LUKEN. Or didn't you hit the same level of recession that the urban areas did?

Mr. HELLER. We never faced the kind of unemployment that some rural areas did or that some urban areas did. What our farm communities have been faced with more is not unemployment, just no profits, and inability to carry on and do business in that regard. In my travels about talking to other brokers in my association, both of the Minnesota Association of Realtors and the national, I would say that the comment that I get almost invariably is that in most larger communities, the real estate business has started to recover. By the same token, in most rural areas, it is still very slow.

Mr. LUKEN. Mr. Hemmingsen, you made a case for reducing regulation. Generally speaking, the PIK program, for example, is designed to aid rural areas, right? Would you call that a form of regulation?

Mr. HEMMINGSEN. I would say that it would be——

Mr. LUKEN. I am not going to follow this up by any badgering questions. I want to give you an opportunity to expand just to remind you of the kind of competition that there could be between the urban and the rural areas; one man's regulation is another man's paradise, sometimes.

Mr. HEMMINGSEN. I would say as far as New Ulm is concerned, the PIK program is definitely a debatable point as far as additional regulation. It is difficult to take a step back and come here on a Monday morning, especially in the New Ulm situation, where we are confronted so much with a local or a State problem, when we start talking things or problems at a Federal level. We have a situation in Minnesota that we have been fighting for some time, and we are not over with that yet.

You are obviously aware of some of our losing of our industries and business. This has not affected New Ulm directly. We are somewhat insulated from that. However, we can possibly see the day when that might come where we will be losing some of our major employers.

We have a very serious problem in Minnesota, and when I refer to regulations, I say that basically our business people feel enough is enough. We are in a situation right now where we have more problems to handle, like I said, at a local and State level. Adding any further Federal interference or involvement would be very difficult to deal with.

Mr. LUKEN. Well, I appreciate your comments on that. In addition to the Small Business Committee, I serve on the Energy and Commerce Committee or, as it used to be called, the Commerce Committee, and the Commerce Committee is known as the regulatory committee in the Congress.

We have jurisdiction, or what we call oversight, to examine and review how the legislation which we have passed is working out.

We pass a lot of legislation because the Energy and Commerce Committee has jurisdiction over energy and health, just to take two.

These are two very broad areas which involve tremendous regulation: The Department of Energy and the medicare rules for instance. I have been an advocate of deregulation, and I appreciate your comments in that regard. We do have to sort of pick and choose to be selective in our deregulation efforts.

We cannot throw out all regulation, or we would go back to some kind of a jungle existence. I think the testimony of both of you gentlemen has been a very balanced one. You have recognized the problems. You have not said, throw out all government, or anything of that sort. You have tried to give a balanced testimony on these very vital matters.

I might say, from our standpoint, it is good for us to hear about estate taxes, which are not necessarily in the forefront of my constituents concerns, as they are in the rural areas. Export restrictions are not necessarily at the forefront. As a matter of fact, we could run into some conflicts in export restriction. For example, I come from an automobile town. Cincinnati is 300 miles from Detroit, but still we have a great deal, or did have a lot of automobile production in our area. Tomorrow, in our Energy and Commerce Committee, we will be considering the domestic content bill.

The domestic content bill says that we will require all products, especially automobiles, which the bill is directed to, which are sold in this country, to have a certain percentage of domestic content in them. The Japanese and the Germans object to this policy, as do others who import automobiles into this country. Many of the farm interests also object to it because they are selling to the Japanese, and they are afraid of retaliation. They are saying it is not reciprocity. I don't know whether you have any comment on that, but I do understand, and I appreciate your comments on export restrictions which certainly are inimical to the interests of the farm belt.

Mr. HELLER. I would like to comment on the domestic content bill. That is the type of protectionism and the like that I was referring to in my testimony.

In your opening remarks, you indicated that we had to get to know each other better and understand the other person's problems, and I think that comes right down to the nub of the situation. I realize that the agricultural interests in some areas like that may counter or at least perceive to counter the interests elsewhere.

I would say, before you gentlemen in Congress decide to enact such restrictive legislation, that you very thoroughly analyze the total effect, the total being, the effect it might have on the export business of agricultural products. I think it is potentially dynamite.

I know that the rural areas are so completely dependent upon our export business and our earnings have already shown—our lack of earnings have already shown—that we have lost a tremendous amount of business in the past 3 to 5 years in the farm export field. It seems to me there must be some other way to approach the problem, but, of course, each of us comes at it from our own viewpoint.

I might add that I would like to just make one quick comment on the PIK program. It has had some negative effects in some agribusinesses. In my opinion, however, and I view this from the standpoint of looking at the farm records of the 80 farms that we manage, it was absolutely necessary, and in my opinion, it was a good program in total. I might also add that it is not a restrictive program in that its participation in the program was voluntary, and so when we enter into it, sure, there are some restrictions after you sign a contract, but the participation is voluntary.

Mr. LUKEN. Of course, on the PIK program, it is into effect, but we are not going to have to pay for it until next year.

Mr. HELLER. I realize that.

Mr. LUKEN. So that is when the crunch will come in the Congress, when Congress has to vote money for the PIK program or any other kind of farm program.

You gentlemen have devoted a good deal of your testimony to the question of deficits and interest rates, and I would like to get back to the interest question right now. It is a most vexing one.

As we look at the economy and see that there is apparent improvement in certain areas, one of the danger signals is the real interest rate, which you have touched upon without calling it that.

The difference between the inflation rate and the interest rate is the real interest rate. It is a very significant figure. That real interest rate has not come down because inflation has been reduced dramatically in the last couple of years, and the interest rate has been reduced less dramatically. We have a high real interest rate, and I think that is what is contributing to the strong dollar, which hurts us on our exports, does it not?

Mr. HELLER. Right.

Mr. LUKEN. I think our economy could do well to have a lower interest rate. The key of improving and expanding our economy is in reducing that interest rate.

I might add that reducing that Federal deficit is something that has been an elusive goal. The President, of course, talks a good deal about reducing the Federal deficit, but the fact is that he has been submitting deficit budgets to the Congress. Nobody forced him to do that. He has been submitting budgets to the Congress which incorporate very large deficits, and actually the Congress has not

been in the last couple of years, increasing those deficits by spending.

As a matter of fact, the President's budget has a higher deficit than the one passed by the House. Now, that does not tell the whole story, of course. It depends upon what is in that budget.

You mentioned something to the effect that you would be willing to pay an adequate taxation in order to avoid deficits. I just filled out a questionnaire the other day from the realtors, and usually I agree with the realtors on our economic theories and our approach to the economy, but they asked a question—I don't know whether you are familiar with it—should any taxation that is imposed be a tax on production versus a tax on business and savings, and, obviously, the realtors are not in favor of a tax on business and savings. I don't know whether you wanted to comment on any of that.

Mr. HELLER. Well, obviously, I agree with the realtor's position. I think any time we tax business and savings, it is counterproductive.

As I did indicate, I think there are many areas yet of the Federal budget—that's my personal belief—like entitlement programs and a lot of other things that could be scrutinized and, in my opinion, are going to have to be dealt with if we are going to get this thing under control, and I guess that it does not do us very much good as constituents out here to start pointing fingers at either the Congress or the President, saying that anyone is responsible. We need a signal to the money community that we are serious about reducing that Federal deficit before interest rates will decline.

Mr. LUKEN. Well, I do, too. What I was trying to get at was just to suggest that each side could point fingers.

Mr. HELLER. Oh, sure.

Mr. LUKEN. So I am not trying to do that, but I am trying to get down to the specifics as to where we can effect those savings, and what the taxation policy should be.

Mr. WEBER. Would you yield on that point?

Mr. LUKEN. Surely.

Mr. WEBER. Do you consider an income tax increase a tax on business and investments?

Mr. HELLER. It is, and while I did comment in my comments—and that was a personal comment—I did indicate I thought any such income tax increase should be a temporary one. I am not in favor of an income tax increase until every area, line item by line item, of the budget and spending are strongly reviewed and cut wherever possible, but I am saying that I am serious enough about the budget being addressed that, if all else failed, some form of tax increase might be beneficial in order to get it under control.

Mr. WEBER. If I can just interrupt, you are assuming that the income tax increase will go to deficit reduction, not to new spending?

Mr. HELLER. That's correct. That it will be temporary and for the purpose of reducing the deficit, not for new spending programs.

Mr. WEBER. Thank you, gentlemen. I yield.

Mr. LUKEN. I thank you very much, and I made the statements I did just to give you a little perspective of the problems that I perceive. Your testimony has been very helpful in telling us what the real estate industry, and the small business people who are outside

of that unreality we often experience in Washington, what you experience and what your perspective is, and I appreciate your comments very much.

Mr. WEBER. Thank you.

Our next panel is entitled, "Business on the Farm," and our three witnesses are Roger Asendorf, of the Minnesota Soybean Growers Association; Al Christopherson, vice president of the Minnesota Farm Bureau Federation; and Karl Johnson, of the Minnesota Pork Producers Association. If you gentlemen would like to come forward, we will take your testimony.

Welcome, gentlemen. I think we will proceed just as we did with the last panel: If you want to give us your testimony, and then when we are done with all three of you, we will direct some questions toward you. Whoever would like to go first?

**PANEL CONSISTING OF ROGER ASENDORF; AL
CHRISTOPHERSON; AND KARL H. JOHNSON**

**TESTIMONY OF ROGER ASENDORF, ON BEHALF OF THE
MINNESOTA SOYBEAN GROWERS ASSOCIATION**

Mr. ASENDORF. Mr. Chairman, Congressman Weber, aides, my name is Roger Asendorf. I am a corn and soybean farmer from St. James, Minn., and I appreciate the chance to come here and talk to you today and discuss with you the optimistic or the pessimistic views, whichever they may be, of the financial outlook of agriculture in 1983-84. On the positive side, the reduction of interest rates has had a very positive effect on the cashflow problems which a majority of farmers are suffering from today. A continuation in the decline is necessary if we are to see a total recovery in the agricultural sectors of the economy.

Second, the PIK program has helped relieve some of the pressures that were building on the commodity prices due to, in part, the oversupply of agricultural products here in the United States. Hopefully, this will be more than a 1-year program so that we will not see an immediate return to a burdensome supply.

Third, the contract sanctity legislation passed this year has reinstated reliability in the contracts foreign countries have entered into with the United States, and that those contracts will be honored and the commodity will be delivered.

The American Soybean Association, of which I am affiliated, worked very hard to maintain passage of this legislation, and we commend the House and the Senate for supporting this bill.

Fourth, the House of Representatives has again this year increased the funding levels to the Foreign Agricultural Service with an additional \$1.9 million for market development activities.

We hope that both the House and the Senate are starting to see these foreign market development activities in the same light as we do in the American Soybean Association. Also, they are investments in the future with proven returns and not merely a capital outlay to charge against the budget.

On the negative side, the cargo preference bill presently under consideration by Congress has a potential to be one of the most devastating pieces of legislation agriculture faces this year. The Maritime Union is lobbying hard to gain approval of cargo prefer-

ence for the U.S. shipping industry without consideration of the tremendous impact on the exportation of U.S. agricultural commodities. The passage of cargo preference legislation will cost American farmers billions of dollars in lost export sales.

Second, the domestic content or other protectionist legislation now being proposed may have serious retaliatory consequences from countries now importing our agricultural commodities. We cannot expect those countries that are now importing our agricultural commodities to continue to do so if we develop legislation which inhibits the importation of their products into the United States. We live in the day and age of international trade. There is no country in the world today that can develop isolationism in its dealings with other countries and expect to prosper. In the soybean industry, for instance, every other row that grows in the United States grows for export.

Third, the State Department and other Federal agencies, such as AID, are continually insensitive to the importance of agriculture and its goal in the balance of trade and the stability of the economy of this country. It is time we convince these people that there is nothing wrong with mutual benefits, whereby those countries receiving our aid remember where they got it by using the United States as a supplier of their needed imports, aid and trade, so to speak.

Fourth, another disheartening move was the introduction of legislation by the House Foreign Affairs Committee, offering an amendment allowing the President to cancel existing contracts in the event of a trade embargo. Passage of this legislation destroys the very sanctity of contracts which we fought so hard to congressionally guarantee.

This country was built on faith, honor, and trust, yet we, more than any other country in the world, use embargoes and the breaking of contracts as our method of world discipline.

In conclusion, gentlemen, I must say our agricultural economy does show a glimmer of hope. However, I feel we have a long, tough road ahead. If we intend to bring our children and our grandchildren into this business of farming, we are going to have to be able to show a better return on investment than the last 2 to 3 years have shown, or we will see an aging agriculture that will be very hard to reverse. As proof of this situation, I was talking to a fellow board member who, together with two other farmers, are disposing of over 1,400 acres total because of the inability to cover the interest costs on land purchased for expansion to bring their sons into their farming operations.

Hopefully, we will not see this kind of thing continue, but will see a good, sound turnaround in the agricultural economy, and we will witness a followthrough to the other economies of this Nation.

I thank you.

Mr. WEBER. Thank you, Mr. Asendorf.

Mr. Al Christopherson from Minnesota Farm Bureau Federation.

**TESTIMONY OF AL CHRISTOPHERSON, VICE PRESIDENT,
MINNESOTA FARM BUREAU FEDERATION**

Mr. CHRISTOPHERSON. Thank you, Mr. Chairman, members of the subcommittee.

My name is Al Christopherson, vice president of the Minnesota Farm Bureau Federation and affiliated companies. I am a beef cattle feeder and cash grain farmer from Pennock, in Kandiyohi County. We appreciate the opportunity to share with this subcommittee some of our views and concerns as they relate to the importance of small business to rural Minnesota.

The relationship between a thriving Minnesota agriculture and the well-being of the State's small businesses is often overlooked, or too little importance attached to it. Yet the two are so closely linked that whatever affects one, affects the other. Without the mainstreet merchants and the professional people in our rural communities, farmers would be out of business. By the same token, of course, without farmers, small businesses could not survive.

Farm Bureau has long been aware that there is scarcely a problem, an issue, or concern that does not commonly affect the businessman on the farm and the businessman in town. The interests and the concerns of rural and urban America are interrelated.

For all the strides made of late to promote better town and country relations, there remains considerable room for improvement. In this enlightened and well-informed age, there still are too many unaware or unappreciative of the fact that what is good for the farmer and for agriculture is also good for the businessman in town. There still are too few aware that farming is a business. I might add that sometimes farmers themselves are not aware that farming is a business, or a basic industry; and no community depending upon the trade of the rural territory surrounding it can long survive, much less prosper, unless the region that feeds it is also reasonably prosperous.

At the same time, it is a fact, also, that unless our small town retailers, as suppliers of our farm production inputs, do well, neither do we; so, as farmers, we appreciate the successful results of our neighbors and the successful results of the small businessman's labors are vital to the survival of every one of us, whether we be on the farm or off the farm.

We do not know that it is possible to piece together a comprehensive picture of the influence of Minnesota's small businesses on the State's economy. However, there is an assortment of scientific, professional studies addressing that subject. Among findings is the widely accepted one that much of Minnesota's food and fiber industries, which is the largest segment of our State's economy, generating 40 percent of our wealth, is located in the rural or out of State sector. These industries generate better than 30 percent of the jobs and 25 percent of our personal income.

In 1979, the U.S. Chamber of Commerce reported the generation of 100 new manufacturing jobs in the community meant a population increase of 360—100 new households—a \$410,000 increase in personal income, an increase of \$229,000 in bank deposits, \$331,000 in retail sales, three more retail outlets, and 65 industry-related jobs.

There appears to be, generally speaking, common agreement that the overriding issue facing both the urban and rural sectors of Minnesota today is the economic vitality of our State. In the light of this, Farm Bureau submits that the task before us should be, then, to provide not only environment for preserving our present economic base, which traditionally had been agriculture, timber products, tourism and mineral resources, coupled with a growing and increasing technology-intensive industrial segment, but the environment, also, for starting and nurturing new business so crucial to the health of our economy.

Evident also is the consensus that Minnesota's business climate in recent months and years has diluted the State's economic strength. To be sure, our State is one with high tax costs for business, high workers compensation and unemployment compensation rates and an expensive work force. While we recognize that problems created by such a decline do indeed impact small businesses, we suggest that solutions are properly the responsibility not of Congress, but rather of the legislature. That is not to say, however, that there is no role for Congress. To enhance the economic status of business in rural Minnesota, it could do no better than to continue and to enlarge upon action to get the American economy back on the road to sound health. In pursuit of this objective, we strongly recommend to the subcommittee that, among others, the following be part of small business policy: No. 1, continued and renewed efforts toward reducing uncontrolled Federal spending so that interest rates might further moderate, and the spend-and-tax cycle might be broken. Meaningful budget cutbacks, including substantial reductions in entitlement programs, would curtail excessive and nonessential Government expenditures. Vigorous pursuit of such policy should lessen the Government's need for preempting a sizable block of the credit market.

I might add that for farmers who are highly leveraged, the increase in interest rates in the past 3 to 5 years has, for all practical purposes, eaten up the entire percentage of profit in which they were operating. This is, to a large extent, why we have the problems, especially with the beginning farmers.

No. 2, expanded market development and intensified research activities that concentrate heavily on increasing domestic and foreign sales and consumption of U.S. farm production.

No. 3, eliminate the burdensome Government regulatory overkill by repealing or modifying rules, regulations, and programs which are unnecessarily placing added costs on small business such as the cargo preference legislation, and that type of thing.

No. 4, further revise Federal tax policy to encourage private initiative, help stabilize the dollar, promote employment and economic growth, and distribute the tax burden equitably.

No. 5, return to a free market for farm products complete to the removal of politics from the economics of agricultural pricing and marketing. We must be able to trade with other nations and be allowed, as farmers and the farm industry, to live up to the agreements which we make with these countries with regard to sales.

We in rural America have historically lived by our word and by a handshake, and we must be allowed to, when we make an agreement with somebody, whether it be a country or a group of people,

we must be allowed to live up to those agreements. We cannot let political implications circumvent that.

Implementing measures such as those we have just mentioned will benefit small businessmen and farmer alike. Net income will improve, interest rates will decline, bankruptcies will become fewer, and the economic structure of Minnesota will be on a much more firm foundation.

Thank you.

Mr. WEBER. Mr. Johnson.

**TESTIMONY OF KARL H. JOHNSON, PRESIDENT, MINNESOTA
PORK PRODUCERS ASSOCIATION**

Mr. JOHNSON. Chairman Luken, Congressman Weber, my name is Karl Johnson. My brother and I operate an 800-acre grain and hog farm in Nicollet County, Minn. Our farm produces approximately 4,000 head of market hogs annually.

I am also currently serving as president of the Minnesota Pork Producers Association. The 13,000 members of this group are located in central and southern Minnesota and are part of the 110,000 members of the National Pork Producers Council. After struggling through a couple of very tough years in the hog business, the profits of 1982 were very welcome. The first couple of months of 1983, the market continued strong. However, by the first week in April, prices had dropped \$10 per hundredweight to \$48; and now the local market is in the \$44 to \$45 range.

I think I would like to explain a little bit to you by using some costs of my enterprise to let you know what the market prices mean. My feed cost is the largest item at \$29.90 per hundred pounds produced. Principal and interest payments on our facilities are \$5.10 per hundred with veterinary expense of \$1.50, fuel and electricity of \$2.30, repairs of \$1.30, leaves me a production cost of \$40.10 per hundred pounds produced. When you add in the charge for our labor, you can see that our profit is quite slim. The main reason for this price drop is the larger supply of pork. With the cheap grain and good hog prices of 1982, many hog producers have increased their production.

I do feel that the Government's payment-in-kind program has lessened the available hog numbers but not enough to keep us from several months of breakeven or lower hog prices. Now, it may to some people seem a little strange that a pork producer would be in favor of higher grain prices, but it has been notorious that when we have cheap grain, cheap corn, cheap hog prices are just around the corner.

It just seems to follow that way. That is why, as a pork producer, we are very much in favor of the payment-in-kind program. However, with grain prices up and hog prices down, producers will soon reduce their number of hogs, and prices will come back to the profitable levels by early 1984, I feel.

The supply problem is one producers can take care of themselves, but there are some areas where we need Government help. One such problem is the very costly and serious disease, pseudo-rabies. We need the \$2.7 million funding for the pseudo-rabies pilot eradication projects for fiscal 1984. These projects were started this

year with \$100,000 from the National Pork Producers Council and \$400,000 from the USDA. Hopefully, these projects will help us find a way to eliminate the serious problem from the pork industry.

I also feel that the entire red meat industry and specifically pork is in a transition period. We constantly see ourselves in a defensive position over the safety and quality of our product. The United States has the world's safest and most wholesome food supply, yet many people question this fact. We must change the current food safety laws and their amendments, including the Delaney clause of the Food, Drug and Cosmetic Act. These laws and amendments are 20 to 75 years old, and with today's technology that can detect the smallest traces of substances, a no-risk policy impossible. These laws must permit a concept of acceptable risk in food that is called safe.

Many people are also being confused by the unsubstantiated reports we got in the role of meat consumption in relation to their health. It seems to be the current fad to question red meat as an important part of human diet. The animal welfare issue also seems to be getting into the spotlight a lot as of late. Anyone who is close to the pork industry knows that producers provide the best possible environment and feed for their animals. It is impossible for an animal to produce efficiently if it is not comfortable, yet many people feel we abuse the hogs by putting them in an environment that we can artificially heat and cool.

It is my understanding that Congressman James J. Howard is considering a bill to establish a commission on farm animal production. This commission could do no good except to give antimeat people another forum in which to speak. There are currently several study projects going on to evaluate housing and feeding systems in the hog industry. If these projects show any needed changes, I am sure the pork producers will quickly adopt them.

In conclusion, I would like to say that, while the pork industry may not be very profitable in the last half of 1983, the long-term outlook seems reasonably good. However, in order for it to remain that way, the total economy must continue to improve. We cannot have Government legislation added to the cost of production, and the unsubstantiated reports linking diet and health must end.

Thank you very much.

Mr. WEBER. Thank you. I would like to begin with a generalized question, and ask each of you to respond. We are considering a look at legislation now in the Congress as well as in the State legislature, that would have the effect of helping farmers that are in big trouble with additional Farmers Home Administration funding. The question of a moratorium on farm foreclosures is a big issue, as I am sure you are aware, in the Minnesota Legislature, as well as in the Congress.

I would like each of you to assess for me, if you can, as concisely as you can, what is the farm picture right now. Is it getting better? Is it getting worse? How fast is it getting better? What percentage of your friends and neighbors do you really think are in trouble, and to what extent is it appropriate and necessary for the Government to engage in, for lack of a better term, bailout measures to help farmers that might be going broke?

Would you like to respond first, Karl?

Mr. JOHNSON. I can start. I think that you have to, when you say that a bailout measure by the Government, remember that probably some of the problems that are in the farm economy right now were caused to a certain extent by the Government with their policies of trade, and so forth, and telling us to grow fence row and fence row, and then, all of a sudden, we cannot get rid of it.

I think many of the farmers in my area that have a serious problem got caught up in that a little bit or got started because of their age, started in that area and were forced into an expanding role when interest rates were high, and so forth, and now have come into a situation where they cannot make their payments. So, I feel that perhaps some moratorium, or something like that to help these people that really, through no fault of their own other than bad timing, are in a horrible situation, is probably appropriate.

Mr. WEBER. Mr. Asendorf.

Mr. ASENDORF. I concur a little bit with what he said in that some of the problems that we have facing agriculture were indeed caused by Government through the way of sanctions, embargoes, and so on.

We will always have those who have probably overextended themselves to the point where they get themselves in financial trouble, but there are, like he said, situations of guys who started at the wrong time or expanded at the wrong time. However, when this happened, things looked very optimistic; they looked like they were good; times should improve, and prices were good. All of a sudden, we had this turnaround, and we are in a situation now where there are farmers going under who are not poor operators, and they are not poor businessmen. They were caught in a situation where the only way to stem inflation by the part of the Government's feelings was to increase the interest rates. It worked possibly. We do see a lower inflation rate.

However, we were in that period of time when the interest rate was so high, there was no way that you could cashflow a farm, had you expanded at that point in time and still be able to stay in business, and that is the situation that a lot of farmers are in.

I think it has to be taken on a case-by-case basis and each situation looked at, whether the fellow is a poor manager or whether he was caught up in the times. As far as percentages of my neighbors who are going under, this would be kind of hard to come up with any exact percentages. I would imagine Farmers Home Administration, or Federal Land Bank, could hit that a lot closer than I, but I don't know what the answer would be.

Mr. WEBER. Well, the lending agencies tell us the percentage is very small, and then we hear from other people that it is a much more serious problem than that. I just sort of wonder, what do you see in your neighborhoods? Is it a small percentage that are in real trouble, or is there a widespread problem of farm bankruptcies facing us?

Mr. ASENDORF. I think it probably is a little worse than what some of the Federal agencies are letting on. The people I just referred to who were putting 1,400 acres on the auction block are very good farmers. However, they were caught in a situation I was just talking about.

The fellows that I was discussing this with told me that the figures the Federal land banks have given him are a lot lower than he perceives are the actual percentages out there. How to arrive at those figures is going to take some deeper investigation, I guess.

Mr. WEBER. Mr. Christopherson?

Mr. CHRISTOPHERSON. OK. As it relates to moratorium, I spent some time on the Governor's commission on rural crises, I guess it was called, this spring, and there was a considerable effort to try and move toward a moratorium on all farm foreclosures. I guess if I saw anything out of that commission in the week that we spent taking testimony is the fact that indeed there are some farmers that are having problems. You cannot deny that. At the same time, I think there were a number of those same individuals who were having problems that, to some extent, brought those problems on themselves.

I think also we have to remember that we are always going to have, as was mentioned here a little while ago, those people—and it sounds harsh and cruel, but in every business, whether it be banking, farming, whatever—there are going to be those individuals that are going to have to fall out the bottom. That is the long and the short of it.

That is very cruel and sounds harsh; however, at the same time, we see and I think I feel strongly that part of the plight of some of these farmers had to do with some of the policies that the Government has undertaken in the past few years. I guess I relate back again to the interest rates and some of that type of embargoes, and so on.

Now, getting back to the moratorium, I guess I have a real problem with the moratorium, at least a blanket moratorium, for the simple reason that we are going to, if nothing else, force the credit agencies to take a longer and a harder look yet at the farming industry; and as was mentioned earlier, we are a very capital-intensive business.

You may not like your banker, but you have got to be nice to him, is what it all boils down to, so I have some real problems with any blanket moratorium as it relates to these foreclosures.

Mr. WEBER. Mr. Asendorf, I would like you to explain, by way of educating us, a little bit something about the international trade. We are going to be considering domestic content legislation and cargo preference legislation.

I wonder if you could begin, first of all, by talking a little bit about what actually happened to your industry when we had an embargo on soybean sales to Japan, and then more specifically address exactly what the cargo preference issue might do to foreign agricultural sales.

Mr. ASENDORF. In the situation when we had an embargo to Japan, it was an embargo because of a shortage here in the United States. Hopefully, through the 1981 farm bill, where supposedly any future embargo by the United States, because of a shortage in this country, you automatically go to a parity price level, if I understood the wording of that right.

What happened when we embargoed Japan, they spent billions of dollars developing the soybean industry in Brazil. Really, all we

did was force our No. 1 customer to another country for the importation of those soybeans.

Mr. WEBER. Japan was our No. 1 soybean customer?

Mr. ASENDORF. At the time, right. We forced them to go elsewhere to get the products that they needed. That is still coming back to haunt the United States because agricultural exports back in, I believe it was 1980, amounted to \$48 billion, which was almost a total balance of payment for the imported oil in that year.

Now, what they did was to cut off the very hand that was feeding them, is the way I look at it, because we have nothing in this country that is more efficient and a bigger exportable commodity than agriculture, and when they shut it off, what they told our best customer at that time was that I'm sorry, fellows, we are going to look after our own first so we do not have to pay too much in this country, and you are going to have to go elsewhere for our commodities. That is what happened, and the soybean industry was developed in Brazil.

It is haunting us now, because the Brazilians are subsidizing their exports. The soybean complex of Brazil does not enter the market on the same basis that the U.S. soybeans do in that they are subsidized and protected because they realize that has become a very big part of the Brazilian balance of trade, and so what has happened is we have opened up the route for our competition in Brazil.

The point I was making on cargo preference legislation, I had the opportunity to meet with Admiral Scheer of the merchant marine, when we were in Washington last March, and he was a very astute man and told us we need it. We need it for defense; we got to build our merchant marine force, because all we have is a bunch of old scrap heaps, and if we ever have a war, we will not have a sufficient merchant marine force to carry needed supplies for the military. So he said, just like that, we have to have it. We have to have this legislation.

But the point I brought across to Admiral Scheer at that time was, if we need a stronger merchant marine for the sake of the defense of this country, let's not put it on the backs of agriculture, the only one who has given any balance of trade to the United States, and make us pay for a strong merchant marine. The Defense Department has a lot bigger budget than the USDA. If we do need a strong merchant marine in this country, let's put it on the backs of the Defense Department, not on the USDA.

Mr. WEBER. How much does it add to the cost of exports to have to ship on American bottoms?

Mr. ASENDORF. It costs anywhere from 100 to 300 percent.

Mr. WEBER. One hundred to 300 percent?

Mr. ASENDORF. Percent more; right.

Mr. WEBER. What does that add to the cost of the delivered product?

Mr. ASENDORF. Well, in a situation where a ship left the port of New Orleans bound for Alexandria, Egypt, full of wheat, by the time it arrives at its destination in Alexandria, it costs three times more off an American bottom than it did off a non-U.S. vessel. The amount of the increase of freight on that ship amounted to more than the value of the wheat that was in the hold.

Mr. WEBER. So, in essence, it prices us completely out of the market?

Mr. ASENDORF. Completely out. We have a new program that was announced in blended credit. This blended credit program is good, and it would help us in our exports; however, that blended credit program would be right out the window if we had to abide by cargo preference legislation. You might as well forget it because it would be worthless.

Mr. WEBER. I want to make sure that my colleague from Ohio gets plenty of chance to question you. Although I could go on for more, I will turn the questioning over to him.

Mr. LUKEN. This question of the soybean production now being subsidized by Brazil that is the basic argument or one of the main points in the argument for domestic content.

Will that subsidy by the Brazilian Government ever get bad enough that you would urge some kind of protective legislation for the American producer of soybeans?

Mr. ASENDORF. In the way of a subsidy for exports?

Mr. LUKEN. If the Brazilian Government subsidizes soybeans, do you ever foresee that they might, or could they subsidize soybeans enough that you would want some protection?

Mr. ASENDORF. I would imagine if we would see—

Mr. LUKEN. That is what the auto workers want. The auto workers are saying that the system is such that we do not have free trade; we do not have fair trade. We don't have what amounts to free trade because the Japanese Government is subsidizing the Toyotas and the Datsuns that are coming into this country in two major ways: First by the tax system, and second by outright subsidies of the industry in various ways so that the American automobile companies producing vehicles in this country—are not on a level playing field with the Japanese.

Now, you just mentioned that the Brazilians have picked that up, which many foreign countries have. They actually subsidize, whereas our tax system, whether you like or not, tends to be a lot fairer and distributes the burden at least not with a view toward subsidizing our exports, right?

Mr. ASENDORF. Right.

Mr. LUKEN. OK. That is the question, or at least the issue.

Mr. ASENDORF. The situation that I see as far as Japan is concerned, I think we can make things a lot better for our workers here if we can make the Japanese open up some of the quotas that they have of our products going into their country because they have limitations on how much we can import into their country. If we tell them these restrictions, these quotas, have to be lifted, or you have to back off the amount equivalent to the autos imported into the United States, I don't think we have to meet them subsidy-with-subsidy to do it.

Mr. LUKEN. Of course, that is only one of the problems with the Japanese. They have the quotas. That is the trouble. They have a myriad of ambushes there in our war of competition. It is not just the import limitations; it is their taxation system. It is their marketing system, and it is their outright subsidy of groups of Japanese companies that get favorable tax treatment, or they are subsidized in various ways to compete with our country. It is not just

the quota limitations. We have quotas, too. We have a quota on the importation of foreign automobiles which is helping a great deal and which may be the strongest argument against domestic content that exists because we already have some limitations.

Mr. ASENDORF. The difference between the automobile industry right now and American agriculture is that American agriculture is the most efficient. There is no country in the world that can produce agricultural commodities as cheaply and as efficiently as America can, if we are left to deal openly and unsubsidized.

Mr. LUKEN. That was my original question. If you are left to deal unsubsidized, aren't you going to have a problem with the Brazilians because they are subsidizing?

Mr. ASENDORF. No. I am having problems with the United States.

Mr. LUKEN. That is what I am asking.

Mr. ASENDORF. No. My problem was that the United States brought about the Brazilian industry in the first place by an embargo that was brought about for—

Mr. LUKEN. I understand that, but, as a byproduct of that, you also brought up that now the Brazilians are competing, and one reason they are is because they are subsidizing.

Mr. ASENDORF. They are, and their products are cheaper in some countries—it varies from country-to-country—than our U.S. soybeans are, but it is because of their subsidies that we are in this situation.

Mr. LUKEN. See, you might be shocked to hear that the automobile industry and the auto workers, and even the auto makers, believe that they have the best system in the world for producing autos. They might have a hard time convincing you of that, but they are not dealing on a completely fair trade basis, at least we have to acknowledge that.

I am impressed, I might say, with the indepth knowledge of all of the witnesses that appeared, and I would compliment you gentlemen not only in presenting a good case and in presenting it succinctly, so that even us Germans from Cincinnati can understand, but, in addition, you show a great deal of knowledge about what we are doing.

You are worrying me a little bit. You folks are keeping track of what we are doing, and that is very helpful.

Mr. Johnson, you mentioned something that I have been working on a great deal in my Energy and Commerce Committee activities.

I am a member of the Health and Environment Subcommittee and we have been dithering with this Delaney clause quite a bit. Of course, I know that that is important to you in the red meat business. What is the national trade organization? The Meat Institute, right? American Meat Institute? I bet you belong to that, don't you?

Mr. JOHNSON. No.

Mr. LUKEN. Well, anyway, they have the same aims and the same problems. Do you think we have a chance of amending the Delaney clause this year?

Mr. JOHNSON. I certainly hope so. What your chances are, I really don't know, but I certainly hope so. I think it is mandatory that it be amended.

Mr. LUKEN. It is an antiquated thing, and what it fails to recognize is that there are risks, there are hazards which are inherent in the environment, whether it is what we eat or what we breathe, or what we drink.

If we take any ingredients or any substances in isolation, we can say these are poisons, which they are, whether it is formaldehyde or arsenic, or anything, but they all exist in the environment to some extent, and we have to come up with some reasonable standards. They are not poisonous if we get them in certain diluted quantities. They are necessary, as a matter of fact. There are tradeoffs. There are counterbalances.

The Delaney clause says that if some scientist or group of scientists find that a product such as saccharin produces cancer in rats in certain dosages which, if a human drank Diet Pepsi to that same saturation point, they would probably have to drink as much as 1,000 gallons a day to have the same kind of exposure.

So we are still living with the Delaney clause, which has that kind of arbitrary cutoff point which could not exist in reality, and we are trying to come up with a formula for risk assessment, or some kind of recognition of the actual risks that are involved. The Agriculture Committee has been in the lead on it, though we are also very much involved.

We are working on the chairman of our subcommittee right now to get amendments, but that is just an example of the kind of testimony that we are getting here where you folks are telling us you know what is going on.

Mr. WEBER. If I could just interrupt, I think one of the things you will find, Mr. Chairman, is that the agricultural community has really gotten well organized in the last few years. Farm Bureau may have been organized for a long time, but the soybean growers and pork producers and some of the other commodities that are not represented on the panel, have become dramatically more active in their legislative activities in the last few years. You are right. They know exactly what is going on, usually before we do.

So, if there are no more questions, I would like to thank the panel for helping us today.

Our next panel is on agribusiness in general. We have three businessmen: Vaughn Sinclair, president and general manager of Watonwan Farm Service Co.; Norb McCrady, executive president of the Independent Bankers of Minnesota; and Leslie Schrupp, general manager of Brown County Rural Electric Association.

We'll proceed again as we did with that last panel. We'll go through all the testimony and then question the panel in general. I should say that Mr. Luken does have to leave sometime after 12 noon, so I'm anxious for him to hear your testimony, Mr. Sinclair.

Mr. LUKEN. I may not be here for all of the questioning or to wrap up, so I want to extend my gratitude to Mr. Weber, your Representative, for inviting me here, and I know that we will go back to Washington better informed to deal with the problems for all Americans as a result of hearing of your concerns. So I want to thank all of you if I don't get a chance to say anything more this morning.

PANEL CONSISTING OF VAUGHN O. SINCLAIR; LESLIE R. SCHRUPP; AND NORBERT A. McCRADY

TESTIMONY OF VAUGHN O. SINCLAIR, PRESIDENT AND GENERAL MANAGER, WATONWAN FARM SERVICE CO.

Mr. SINCLAIR. Chairman Luken, Congressman Weber. I'll give you an opportunity to gain some time. I'll be very brief. My name is Vaughn—

Mr. LUKEN. That wasn't my injunction.

Mr. SINCLAIR. No, but it is my intention—

Mr. LUKEN. Say whatever you want to say.

Mr. SINCLAIR. It is my intention to be very brief and perhaps to the point.

My name is Vaughn Sinclair, president and general manager of Watonwan Farm Service Co., which is a farmer-owned cooperative in St. James, Minn. I also serve as a member of the board of directors of Farmland Industries, which is a large, diversified regional cooperative with headquarters at Kansas City, Mo., and, as one of the gentlemen said, I serve on the board of directors of a local bank as well.

Many small agribusinesses serving the farming communities are suffering severe reduction in the sale of supplies and services to agricultural producers due to the recently devised PIK program which has caused large cutbacks in planting crop acres. This has come about following a period of high inflation, extremely high interest, and encouragement to continue to expand to serve the needs of larger and larger exports until the 1980 Russian grain embargo caused a terrific drop in farm prices and foreign sales of agricultural produce, and this has caused many companies to make severe adjustments just to break even or to remain solvent in these kinds of times. The first cutback, of course, turns out to be cutback in numbers of employees and so forth.

Another cause of serious concern is the ease provided to individuals and certain corporations to file bankruptcy while protecting large assets covered by homestead exemptions. This has caused undue hardship and effort to collect past due accounts. Bankruptcy laws, we feel, were established to protect the very poor, not as to be used as a tool to enhance profit or evade justified debt. This is an area which we feel Congress could do some study and perhaps set some reasonable limited dollar value on assets that may be protected.

Mr. LUKEN. Do you know of any legislation that suggests that, if I may interrupt?

Mr. SINCLAIR. I do not know of any at this point.

Mr. WEBER. Bankruptcy reform.

Mr. LUKEN. Does that include that provision?

Mr. WEBER. Yes. To my understanding there is legislation in that form in the Judiciary Committee.

Mr. LUKEN. That does set a limited dollar value on assets to be protected?

Mr. WEBER. I don't think it sets a limited value but addresses the issue through a more complicated formula.

Mr. LUKEN. Does it?

Mr. WEBER. I believe it does.

Mr. LUKEN. What I'm saying is you have raised another aspect of bankruptcy reform. The law is too magnanimous and doesn't encompass what should be encompassed. I know people with high incomes are going bankrupt, simply by showing apparent bankruptcy as far as their assets are concerned, yet they could pay off their debts. This is another aspect that I had not thought of and that's why I asked.

Mr. SINCLAIR. In some instances, I at least believe that it's being used as a financial tool in planning where a person can in fact enhance his financial position by using this tool, and I think that was not the intent of Congress.

Mr. LUKEN. Pardon me for interrupting, but it did have an impact because I can see where it would be and I think it's a very good point.

Mr. SINCLAIR. Another area of deep concern to those involved in small businesses operating in rural America is the after effects of the PIK program. While the program has put some additional capital into the system on a temporary basis, what are we doing from a national standpoint of establishing a national export policy directed by Congress which would limit the changing attitude of this great country regarding agricultural trade with each new presidential administration?

In other words, we need a new long-term agreement with the Soviets, we need long-term trade policies with other trading partners, and we need renewed commitment to the sanctity of contracts legislation, as discussed. In order then to be a competitive supplier of grain, we must make sure that we do not price ourselves out of the market by insisting on the use of U.S.-flagship inflated rates.

Another item which continues to cause economic hardship is the controls on natural gas which causes prices through certain interstate pipelines to remain—and the numbers I don't want to get too specific on because I don't know all of the facts on those—between the \$3.50 and \$4 per Mcf and some even higher while we have large amounts of unused gas being flamed off at the wellhead right today at no benefit to either the producer of the gas or to the U.S. consumers.

The correction or elimination of this problem could mean lower consumer heating rates for Cincinnati, too, I might say, and more dollars to spend on other goods and services, lower industry input costs resulting in restoration of our whole petrochemical industry. Today we import anhydrous ammonia and many other ag inputs while U.S. plants are shut down and American labor is left unemployed.

Finally, while we seek less government regulation and control, we know that there will be a farm program in 1984. The delay in announcing what it will involve places additional undue hardship on both farmers and agribusinesses who are required to do both short- and long-range planning to exist and, hopefully, thrive in this economy. We would encourage thoughtful and prudent decisions to be made very quickly to allow people to plan for the future.

I respectfully thank you for the opportunity of appearing here today. Thank you.

Mr. WEBER. Thank you, Mr. Sinclair. Mr. Schrupp.

**TESTIMONY OF LESLIE R. SCHRUPP, GENERAL MANAGER,
BROWN COUNTY RURAL ELECTRICAL ASSOCIATION**

Mr. SCHRUPP. First of all, I'd like to thank Chairman Luken and you, Vin, for allowing us to give some input into the concerns that we have.

My name is Leslie Schrupp and I am the general manager of Brown County Rural Electrical Association. We serve about 3,500 members in the rural area including the farms and homes surrounding the city of New Ulm.

Most of our Nation's countryside now has electricity and the labor-saving efficiencies associated with it, thanks to the rural electrical cooperatives throughout our Nation. Because of this accomplishment, some people suggest that the work of the rural electric is finished and there is no longer a need to provide federally assisted financing for rural electric programs. Despite these beliefs, providing electricity to rural areas is a continuing responsibility.

Ideas that the rural electrification job is complete have evolved into attempts to reduce the availability of financing for cooperatives through the Rural Electrification Administration (REA). Rural leaders share concerns about these recurring attempts, particularly the devastating effect their success would have on an already suffering rural economy.

Although most of the area of the United States is rural, the majority of people live in the cities. Consequently, there are many rural electric cooperatives that supply electricity to people who live in sparsely settled areas.

Nationwide, the average, rural electric cooperative serves about 4.7 consumers per mile of line. Here in our service area, Brown County, rural electric serves 2.5 consumers per mile of line compared to 35.8 consumers per mile of line for investor-owned utilities and 77.5 consumers per mile of line for public-owned utilities. Rural electric on the average receive \$3,370 in revenue per mile of line from their members compared to \$42,700 per mile of line for investor-owned utilities and \$68,128 per mile for public-owned utilities. Rural electric require an average investment in plant of \$1,337 per member-consumer compared to \$825 per consumer for investor-owned utilities and \$648 per consumer for public-owned utilities.

From these facts, it is obvious rural electric have to invest a lot more dollars per consumer in lines, poles, substations, transmission, and other facilities than do power companies which serve most cities. Because of this, rural electric still need a program of financing at a favorable interest rate if they are to deliver electricity to our rural consumers at a price that these people can afford.

The interest rate is especially important to the power business because we are a capital-intense business. This means it's the kind of business for which it is necessary to invest more capital per consumer or per dollar of revenue than other industries. The interest rate is particularly important to generation and transmission cooperatives because heavy investments are made in powerplants and transmission lines. If rural electric are to continue to provide electric service to rural areas at rates that are at least comparable to

rates paid in the cities, we need a Federal rural electrification program for the years ahead.

Rural electrics today, however, get much less help with interest rates and financing than we have in past years. This makes the problem in rural areas more difficult.

Concerns about financing became so serious last year, the National Rural Electric Cooperative Association [NRECA] and the National Rural Utilities Cooperative Finance Corporation [CFC], each set up committees to come up with recommendations on future financing for rural electrics. These committees held hearings throughout the United States. Besides taking testimony from co-op members, hearings included presentations by Federal officials, economists, and NRECA and CRF staff. Based on this information, the committees came up with recommendations designed to maintain the revolving fund. This revolving fund is a source of financing for distribution and area power supply cooperatives such as our Brown County Rural Electric.

The committees also addressed future financing requirements for G&T cooperatives. Committee recommendations were discussed at regional membership meetings held last fall by our national association. They were approved at those meetings and in some cases with suggested modifications and later adopted by the membership at their annual membership meetings. NRECA is now taking these member-approved recommendations to the extent that they require legislation to the Congress and administration.

The revolving fund is very important in the financing of rural electrical cooperatives and it is critical that we maintain the integrity of the fund. This proposed legislation also seeks to encourage greater inflow of nongovernment investment capital for supplemental financing. It keeps Congress in control of REA financing, as it should be, and it involves no appropriations or additional outlays of money. In other words, we are asking actually for an increase in the interest we now pay, and I'll wager that there are very few that ask legislation for that today.

Mr. WEBER. If I can just interrupt, would you explain that a little more? I know how that works, but I think that's very important for Chairman Luken to understand because that really is a unique proposal that you're making. If you can just elaborate a bit on that because I want him to understand how that works. It's a very important proposal.

Mr. SCHRUPP. OK. Basically, Congressman Weber and Congressman Luken, the revolving fund has been our source of money for many, many years from the legislature. The legislature appropriates a amount of dollars each year that we can draw moneys from. In the very beginning of the program, we paid 2 percent interest on these moneys. In about the late seventies, we began paying 5 percent interest on these moneys, but it's a revolving type fund, and the Federal Government has been putting moneys into this fund because the interest rates that we're now paying have not been enough to cover all of the costs of the program. So, we recognize that problem, and because this revolving fund is so important to us, we are asking for an increase in interest rates that we pay so that that revolving fund may remain complete and continue the way it has been in the past.

Mr. WEBER. I might interrupt again? Rather than just asking for more Federal money?

Mr. SCHRUPP. Right.

Mr. WEBER. I think that's an unusual posture for most groups that come into Congress, and I wanted to highlight that part of your testimony.

Mr. SCHRUPP. Thank you. I would also like to express my appreciation, Congressman Weber, for signing on as a cosponsor of this NRECA bill that's to strengthen and preserve this revolving fund. To date, this legislation has over 160 cosponsors in Congress, and we hope that it will be promptly enacted.

Another issue that I would like to mention just a little bit is the issue of "acid rain." While there are lots of ideas floating around on how to deal with the acid rain issue, the effects of additional emission controls on rain's chemistry are still uncertain. Even the experts are in disagreement. In short, we don't know as much as we would like to know.

We know that legislation on acid rain is inevitable. The real issue is making sure that whatever Congress comes up with will reduce or solve the problems and that the costs will be assessed fairly. For example, our Coal Creek generating plant is equipped with highly sophisticated pollution control equipment that costs over \$120 million, and that was nearly 10 years ago. Our members are paying for this pollution control effort right now through higher electric rates, but there are various legislative proposals that will cost electric consumers billions of additional dollars, which may or may not solve the problem as we understand it today.

Even with our substantial efforts to preserve environmental quality at Coal Creek, it is very possible our consumer-members' rates would go up as a result of some of the legislation being proposed. Specifically, we are concerned about proposals to create another so-called superfund by assessing either powerplant emissions or power sales to come up with the dollars needed.

We have a real problem with the idea of paying for a billion-dollar retrofitting of other powerplants when, here at home, we have taken care of our powerplants and are paying for it ourselves without any outside assistance.

In addition, we have a superfund to clean up hazardous waste sites; and the record on cleanup to date is very poor. OK. Can we expect the same with another superfund to clean up the air? These are serious concerns that are shared by many of our members.

The point to all of this is to emphasize the need to proceed prudently on the acid rain issue. We feel an additional 3 years to complete research on this complex issue will be time well spent resulting in controls that would be much more cost effective than what some of your colleagues are now proposing.

I hope I'm not misunderstood. There's no arguing with the value of a clean environment, but with acid rain, the issue is what is the best and most equitable way to deal with the problem. A few more years on research can give us these answers.

When a piece of acid rain legislation comes in front of you, we hope you will remember that our consumer-members are already paying the price for pollution control, and with the other economic

hardships that farmers face today, is it equitable to place even more economic burdens on them, especially, considering that they have already contributed their fair share to preserving our environment?

In conclusion, I would like to state that working closely and responsibly with Government comes naturally to rural electric cooperatives. The rural electric movement has always been a partnership with Government from the very beginning of the Rural Electric Act passed in the mid-30's. Today that one simple partnership with the goal of providing electric energy at a reasonable cost to the rural people has evolved into a maze of multiple interrelationships with Government at all levels, an alphabet soup of agencies, laws and regulations that can be costly to the consumer and taxpayer.

I want to thank you again for listening to our concerns.

Mr. WEBER. If I can interrupt at this point because Chairman Luken may have to leave more quickly than we thought, I want him to be given an opportunity to ask any questions he has at this point.

Mr. LUKE. Yes. Mr. Schrupp, your position and mine on acid rain are identical, at least the conclusion, and I think we get there by the same route. As a matter of fact, I've been traveling around the country giving speeches on this issue for the last couple of months, so I think your points are very well taken.

Your admonition to be careful about a superfund might also be very well taken, though I don't necessarily agree with you that we should look with a jaundiced eye on all superfunds simply because the current superfund for hazardous wastes hasn't solved all the problems. I don't think those of us who voted for that legislation in the first place ever thought that the hazardous waste problem was manageable enough that this superfund could really take care of it.

In any event, we agree on the position that we don't know enough about it right now to be putting great burdens on segments of our society or our country concerning it, so I certainly agree with you and I think your points are very well stated.

Mr. Sinclair, I just had one question for you. You mentioned the natural gas situation. That's another area that our Commerce Committee is working on, and we will be going into hearings on this legislation tomorrow before a subcommittee that I'm a member of, the Fossil Fuel Subcommittee, and I'm just wondering what is your position on it?

Mr. SINCLAIR. Mr. Chairman, maybe I can enlighten you. First of all, I'm not a technician on natural gas, and you must understand that.

Mr. LUKE. Neither am I, but we amateurs are going to have to figure this out.

Mr. SINCLAIR. That's right. I believe that I brought this up as more of a challenge because I think we have super problems in this country when we have lineups in front of hotels that happen to have a natural gas meeting where there are pickets out in front because their gas rates are too high, and at the same time, we're flaring off gas in Oklahoma and Kansas which the producer of the gas is complaining because he can't get paid at all. Incidentally,

the U.S. Government gets no tax income on that that gets flared away, and the same situation happens in industry.

Why can't we some way get rid of all of the redtape? I don't know if it's regulation or deregulation, but whichever it is, we must address——

Mr. LUKEN. Well, I don't want to sound disrespectful, but that's OK for the preacher and priest on Sunday morning to say you guys take care of the problem but we have to come up with the answer, and realize it's complex, as you say. I want to suggest to you that the answer is not very simple at all.

I don't think we're flaring off gas like we used to, but there is a distribution problem. It's not like oil because with oil you could go to different stations and you could drive around and buy your oil, but with gas it's in a pipeline. It is distributed through a utility which is a monopoly and, therefore, regulated from the word go. That's the system that we have developed because it's probably necessary.

The important thing is that we do develop legislation because there are a number of aspects about the natural gas situation which everybody agrees.

There's some controversy about just what we do in the market clearing, but big obstacle to natural gas legislation is do we control all the existing old gas over 50 percent of available supplies or not. There are two contending groups, the administration and big oil producers on the one side, and the pipelines, utility distributors, and a lot of consumer groups on the other side who take completely contradictory positions on the control of that old gas.

You weren't really stating a position one way or the other on that, I take it, or were you?

Mr. SINCLAIR. No. No, I was not, and I just think if we're going to compete in world markets, we need to tear down some of the old philosophies we've had and develop some efficiency in our total system. I didn't suggest that it was easy.

Mr. LUKEN. I wish we could talk about it for the rest of the afternoon.

Mr. SINCLAIR. I didn't suggest it because it was easy.

Mr. LUKEN. OK. Well, that's one of the reasons I have to get back to Washington, that and the other one we mentioned, so thank you very much.

Mr. McCRADY. Thank you, Mr. Chairman. As you leave, you're not the first one that's ever walked out on a speech of mine.

Mr. WEBER. I just want to say before you begin that your testimony and everyone else's testimony before the committee will be made part of a committee record which will be circulated to the members. I wish the chairman could have stayed longer, but your comments will not be for naught, Norb.

TESTIMONY OF NORBERT A. McCRADY, EXECUTIVE VICE PRESIDENT, INDEPENDENT BANKERS OF MINNESOTA

Mr. McCRADY. Thank you, Congressman Weber. It's a pleasure to be here and have an opportunity to express the position of independent bankers. I'm most pleased to have learned a little bit about how the other industries are affected. I know that my

member bankers are always aware of how the soybean grower and the pork farmer is affected, but I don't have the same opportunity to sit at these meetings, and I find that it's been very beneficial for me as well.

My name is Norbert A. McCrady. I'm executive vice president and chief lobbyist for Independent Bankers of Minnesota. My primary area of responsibility deals with legislation and regulation at the State level. My secondary responsibilities are at the Federal level. Our members make up approximately 56 percent of the chartered commercial banks in the State of Minnesota. There are 765 in total.

These past several years have not been the heyday of agriculture nor of independent banking. When agriculture takes a bearing, everyone in the neighborhood takes a few bumps and bruises along with them. Nonetheless, at no point did the hometown, locally owned and operated independent community banks pack up and pull out in search of more lucrative markets. Therein lies the key distinction to be made between the basic community bank versus the bank corporation that operates statewide or within a region consisting of several States or even on an international scale. The agricultural community will attest to the important role of the locally owned and operated community bank, the kind of bank that makes decisions locally for reasons of local importance.

As a Member of the U.S. House of Representatives, you have been the recipient of the massive overdose of specious arguments in support of interstate banking. It's already here, they shout from platforms and proclaim before committees such as this one. Small- and medium-sized banks have already proven they can take on the big money center banks and win, they go on to say. Finally, they roll out the unchallenged granddaddy of ludicrousness for all time by alleging that small, hometown banks are monopolists while leaving a distinct impression that Citicorp, Chase, and Bank America are innocent and helpless victims to be pitied.

Overlines of credit, commercial paper, participation loans, and loan production offices are providing adequate sums of lendable funds needed to meet even the largest corporate requirements in any of the 50 States. The ultimate results of removing safe and sound protection provided by the Douglas amendment to the Bank Holding Company Act would be to: One, intensify the already serious concentration of power over this Nation's financial resources; two, undermine or possibly totally eliminate local ownership and control of financial resources; three, destroy the dual banking system and, in the process, preempt the rights of the various States to determine the course and structure of banking within their boundaries.

An error in judgment by Congress in this most sensitive area of allocating our Nation's financial services and resources could prove to be the most costly error in the history of our great Nation. Errors of this magnitude are never repealed because once the damage is done, there is no remedy known to man that can put Humpty Dumpty back together again.

We encourage you to stand firm in defense of the strongest banking system in the entire world even though we know you will come

under pressures of unprecedented intensity asking you to acquiesce on the issue.

From time to time, we also hear those who could weaken or repeal the Douglas amendment point to our Nation's antitrust laws being protection against concentration in the banking industry. The track record of the Justice Department's Antitrust Division has surely been nothing to brag about. As the Minneapolis Star and Tribune article of June 9 reads, it probably will continue to deteriorate under Assistant Attorney General Baxter.

On another subject, it would appear that Congress greatly misread the public mood in passing the 10-percent withholding on interest and dividends, I am proud to say, present company excepted.

Mr. WEBER. I'm glad you mentioned that.

Mr. McCRADY. The banking industry, on the other hand, correctly perceived it would be highly unpopular and highly emotional as a broad public issue. Efforts by certain Members of Congress to compare this with banks withholding taxes on their employees might have caused fits of uncontrollable laughter had the matter been of a less serious nature. But Congress, or at least the vast majority of both bodies of Congress, sensed that the financial institutions of the Nation had made an accurate assessment of the public response and at that point they voted to repeal that feature of the tax bill.

Today we still have a few powerfully placed Members of Congress trying to thwart the will of the majority by making a Christmas tree of vengeance out of the repeal amendment. Such actions do little to enhance the statute of our National Government in the eyes of an already aroused and alert citizenry. Manipulation that will delay action on the measure until the very last minute for what still could become a July 1 effective date deserves no higher classification than arrogant contempt expressed by the excess of public office.

Thank you for this opportunity to comment. I'd be happy to answer any questions, Mr. Congressman.

[Articles submitted by Mr. McCrady follow:]

[From the Minneapolis Star and Tribune, June 9, 1983]

ANTITRUST OFFICIAL SUPPORTS INTERSTATE BANKING

WASHINGTON, D.C.—The Justice Department's chief antitrust officer called Wednesday for removing federal prohibitions against interstate banking.

William Baxter, the assistant attorney general in charge of the department's antitrust division, also said laws that keep banks and security firms from offering overlapping service should be eliminated and procedures for bank mergers should be made less cumbersome.

Baxter said the recommendations stem from rapid technological advances over the past few years and the changing shape of the economy in general.

He was among three top federal officials appearing before the Senate Banking, Housing and Urban Affairs Committee, which is conducting hearings on the nation's financial industry.

Federal Trade Commissioner George Douglas offered no recommendations but said, "Even a cursory analysis of the structure of the financial services industry indicates that it is not a model of competitive efficiency."

The reason, he said, is a myriad of federal regulations.

"If such restraints were reached by private agreement, without statutory action, they would violate antitrust laws," said Douglas. "Moreover, such restraints often harm consumers."

John Shad, chairman of the Securities and Exchange Commission, said, "As a result of the accelerating rate of change in the banking, savings and loan and securities, the present regulatory scheme is lagging further and further behind the marketplace."

Baxter discounted arguments that interstate banking would harm small banks and provide too much concentration. "For most banking services there is little evidence of substantial economies of scale; thus, smaller banks should be able to achieve efficient operating levels and continue to provide competitive services to a wide range of customers."

He said having strong new banks enter a market tends to encourage the ones already there to lower interest rates on loans, raise them on deposits, lower fees and service charge and generally improve their performance.

"The important benefits to be gained from the potential for increased competition if geographic restrictions are eliminated appear clearly to outweigh any dangers of increased concentration," said Baxter.

He said merger procedures should be changed so that banking regulators concentrate on deciding whether the resulting institution would be financially sound and leave to the Justice Department the question of whether the merger would harm competition.

He said the Justice Department reviews mergers for antitrust implications and said having various banking regulators cover the same ground leads to unnecessary cost and delay.

It Looks Like Ludlum To Me

*Address Of
Sidney A. Bailey
Commissioner of Financial Institutions
Commonwealth of Virginia
and
Chairman of the Board and President
Conference of State Bank Supervisors
at
CSBS's 82nd Annual Convention
Tuesday, May 10, 1983
The Broadmoor
Colorado Springs, Colorado*

Sidney A. Bailey, CSBS's chairman and president, has been Virginia's Commissioner of Financial Institutions since June 1977. A West Virginian by birth, he is a graduate of the University of Virginia and holds an M.B.A. from the College of William and Mary. After seven years in the armed forces, he joined the Office of the Comptroller of the Currency in 1958. During 19 years of service with the Comptroller's Office, Bailey progressed from Assistant National Bank Examiner to Deputy Regional Administrator of National Banks.

Mr. Bailey was first elected to the Conference's Board of Directors in 1979, was elected to two terms as vice president in 1980 and 1981 and was elevated to president elect in 1982. He has also served as chairman of the Conference's FDP/EFT Committee and as a member of the Board of Trustees — CSBS Schools, Performance Standards Committee and Finance Committee.

Lion

NORBERT A. McCRADY
Independent Bankers of Minnesota
7850 METRO PARKWAY SUITE 213
BLOOMINGTON, MN 55420

Thank you, Jack, for those kind words. Ladies and gentlemen, those of you who attended last year's CSBS convention in New Orleans will recall that my predecessor, Mike Edwards, presented a carefully documented message of hope and inspiration for those of us who are committed to a progressive, responsive dual banking system. His theme was that the States are the vehicle and not the obstacle in the necessary — the desirable — evolution of financial services and of the regulation of the institutions providing those services.

In the intervening months, Mike has proved to be quite a prophet as the States have increasingly taken initiatives to make a wider range of *banking services* widely available, even across state lines, and to improve the competitive position of the traditional depositories vis-a-vis the nonregulated financial intermediaries.

In the brief time allotted to me this morning, I want to explore two converging themes that are the logical extension of the recognition that there is a need for *some* change in the scope of banking services, in the methods of providing those services and in both the direction and application of the bank regulatory process. The first theme is the need to define what we mean when we say "the legitimate needs of the marketplace;" specifically, whose interests are paramount in this evolutionary exercise. The second and related theme is the need to establish a rational policy within which change can proceed to the benefit and not the detriment of a majority of the parties at interest; namely, users of financial services, the institutions that provide those services, the stockholders and the nation's economic fabric.

Where We Are Today

Using these two criteria, let's look at where we are today. To set the stage, let me tell you a story. Many of you who have read the spy-thrillers of Robert Ludlum know that the main theme of his major works is what I might call the "conspiracy theory." His plots usually pit our hero — always alone, except, of course, for a beautiful woman — always handsome, virile, macho and a four-square American patriot — against certain shadowy and sinister characters — often positioned in corporate boardrooms and always possessing enormous economic resources and massive political clout. The name of Ludlum's game is always the same — the accretion of power; and not just a little-bitty power. These dark forces want it all. They want to control the levers that in turn control world economic and thus political domination. Obviously, they are stopped by our hero, single-handedly.

Ludlum is obviously paranoid in his world-controlling-power-conspiracy preoccupation. And do you know something, when I take the time to step back and look at what is currently happening in the so-called evolution of financial services, I have the urge to write Robert Ludlum and outline the plot for his next book. Remember, just because Ludlum and Bailey are paranoid doesn't mean they are wrong.

Let me explain! My premise is that the current *emphasis* of the dialogue on needed change in the provision of financial services and the *direction* of the changes that are actually taking place are both wrong. A relatively few people, who could be characters right out of Ludlum are doing a brilliant job, with the help of some well-placed spokesmen in government, of orchestrating the turn of economic developments and the lack of a clear, rational policy into a situation where the need to compete — the "competitive reflex" — is determining the scope and direction of change. The goal of the current *emphasis* and *direction* is the *power* to control — to get bigger! The *tail* of consolidating financial resources and removing effective regulatory oversight of what is done with those resources is *wagging the dog* of a rational policy regarding financial services aimed at meeting the fundamental financial needs of the public and directed by Congress as the repository of the public interest. *The best interests of those who want more power — who want to get bigger — are being promoted under the guise of the national interest.*

Lest there be some misunderstanding, I should emphasize strongly that I, and the Conference itself, recognize the need for and the vital function of large banking institutions. It obviously requires an accumulation of substantial resources to meet the needs of a significant element of the marketplace, both domestic and foreign. The giant institution meets these giant needs most effectively.

However, let's examine for a moment just who would benefit if control of all or nearly all of the nation's banking resources were consolidated in the hands of a relatively few big banks.

How about the first parties at interest — the customers? Would there be more competition? The vast weight of evidence suggests that aggregate concentration of financial resources in the hands of a few would significantly reduce active competition in local markets. Would the big banks provide more and better services? Is someone seriously suggesting that the way to assure the more effective allocation of credit to the people of thousands of communities throughout the nation is to remove the allocators to some corporate tower hundreds of miles away? And what additional services could these big banks provide that are not being offered by the many regional and community-oriented banks under our current system? There are virtually none, unless of course you are representing Brazil, Argentina, Mexico, etc.; and these "services" may be somewhat curtailed in the future.

What about the other parties at interest — the institutions themselves and their stockholders? Study after study shows that true economies of scale do not tend to operate beyond a certain size range, and earnings patterns over many years consistently show that banks in the \$25-\$100 million range earn more on assets and on capital — even with higher capital ratios — than do larger banks.

How about the national economic fabric? Well, you really can't separate this from the totality of consumers. They are one and the same. The overriding strength of the current system is its flexibility. Better than any other system in the world, it serves everybody. The interrelationship between the development of a nation's economy and its banking system is obvious. It is not a coincidence that the United States, which has the most innovative and powerful economy in the world, has a banking system that prevents undue concentrations of control of financial resources while fostering local responsiveness, creativity and innovation. Here, the record speaks clearly for itself.

Then who *would* benefit from a turn toward bigness? The inescapable conclusion is that it is the handful of people in control of a relatively few financial giants who would reap the benefits of more economic and political power, more personal income and more prestige. We are right back with Ludlum's shadowy and sinister characters. Try as I may to work the present scenario so that someone else — anyone else — benefits, it always comes out with these few making out like bandits at the expense of absolutely everyone else.

Let's go back to my original theme, the need to identify whose interests are paramount in the evolution of the financial services system. I assume that it is still a uniquely American premise that the primary interest in the provision of financial services belongs to *all* the users of those services — businesses both big and small, professionals and farmers, communities of all sizes and people everywhere who want to maximize their return on savings or who need a loan and can qualify. In other words, the very people who provide the resources that make it possible to run a bank — any bank — profitably in the first place. If my evaluation of what is going on today is correct, do you know where these parties come out on the scale of benefits? Dead last! That brings us to the question of what can be done to correct the situation.

Where Do We Go From Here

The second of the themes I mentioned earlier is the need to provide direction. We must establish a rational policy within which change can be directed to the benefit and not the detriment of all the parties at interest. To accomplish this, we must call a halt to structural change through "competitive reflex." We must demand that Congress take the initiative in a comprehensive rational debate on the evolution of the financial institutions structure. We, the many, must stop being jerked around like puppets by the few.

How about some guidelines for such a debate. Let's start with three fundamental and interrelated issues: (1) Control and allocation of individual and community financial resources; (2) Concentration of control and ownership of financial resources; and (3) Centralization of government control over the banking structure.

Fundamental to the American banking system is an historical national policy which strives to limit the concentration of power over the nation's financial resources. It is this positive national policy which is under attack, and it is this national policy which should be the focus of the debate. If it is, then we must ask if it would be in the *nation's* best interests to: (1) Change our anti-concentration policy; (2) Undermine or eliminate local ownership and control of financial resources; (3) Destroy the dual banking system with its inherent diversity of financial regulation; (4) Preclude state legislative authority over financial institutions; and (5) Concentrate banking regulation in a single federal agency or committee?

These are not idle questions but questions whose answers are essential to a resolution of any debate over what kind of banking and bank regulatory structures we should have. And we must have such a debate, ladies and gentlemen, because without it a fundamental American political philosophy favoring local control of financial resources surely will be reversed by the deadly game of competitive one-upmanship in which we are now engaged. Let me now indicate where I hope such a debate will lead.

First, to a reassertion by Congress of the value of the McFadden Act and the Douglas Amendment to the Bank Holding Company Act as the foundations of the national policy designed to prevent massive concentration of financial resources, to limit corporate ownership of banks and to insure local control. I believe it is in our nation's best interests — in the best interest of those with the most at stake here, namely, all the consumers of financial services — that we retain a diverse, multi-institutional, locally-owned and controlled system which is sensitive to the needs of the many and diverse economic areas of the nation.

Second, in the context of the need for change to accommodate new technologies and the expanding needs of more sophisticated and demanding markets, there must be a recognition of the need to maintain and strengthen the dual banking system as the vehicle for such change. A major facet of the American banking system is duality — the existence of a state-chartered and supervised system and a national-chartered and supervised system. The key to the success of the dual banking system has been its ability to foster competitive innovation. We have seen this just recently in the thrust by a number of states for competitive rate instrument authority for their banks and thrifts in the face of DIDC inaction. We have seen it for a decade in state electronic funds transfer initiatives. The various state systems usually have served as the laboratories of change; occasionally, the federal system has so served. The critical element has always been a creative tension between the two systems which leads to innovation and its diffusion. Because of this creative tension, a stagnant system is not permitted to exist for very long. This is a major element of the American system, and the primary reason for its success.

In order to maintain and strengthen the dual system, two actions need to be taken in the near future. First, there is a need for more balance in the regulatory structure. Congress can accomplish this by mandating parity for the state bank regulators and the Comptroller of the Currency. Today, the most significant feature of duplication and redundancy in bank supervision is the double track that each state-chartered institution must follow in regulation and examination, as well as in market entry and expansion. This occurs with the addition to state supervision of redundant supervision by the FDIC or the Federal Reserve, while national banks have a single track — the Comptroller. It seems logical that the Federal Reserve and FDIC should accept state examinations and regulation exactly as they do those of the Comptroller. This can be accomplished if Congress mandates a five-year phase-in for such acceptance, absent a showing on a state-by-state basis of why the state examination is insufficient, and if the FDIC broadens its acceptance of state determinations in routine branch and headquarter relocations as it does now with such decisions by the Comptroller.

The second initiative involves the states, and let me say at the outset that it isn't going to be very popular on its face with many bankers. I'm talking about the need for the states to implement the bank holding company authority reserved to them in Section 7 of the Bank Holding Company Act; in other words, to extend the dual banking system to the bank holding company organizational format. Now, before anyone decides to lynch old Sid Bailey, let me explain.

It is a fundamental concept in this country that the very nature of banks — the fact that they control other people's money, that they oversee the resources that make it possible for all other businesses, for the entire economy, to function — requires governmental oversight — regulation — of them in the public interest. But consider what is happening in the financial intermediary structure. Traditionally, commercial banks have been the generalized financial services institutions in this country and thus the dual bank regulatory system has been on target in regulating the primary cog in the financial services industry wheel. Today, the structure is evolving in such a way that banks are being displaced as the "supermarkets" of financial services by the bank holding companies, and the trend is escalating with new players outside of the banking industry securing a piece of the action. But, unless a state acts affirmatively to exercise authority over the bank holding company entity, the dual regulatory umbrella does not apply to the bank holding company — the new primary cog in the wheel. What I'm really saying is that if the concept of bank regulation is valid and if the dual regulatory structure is the preferred vehicle for providing that regulation, it doesn't make any difference what we call the entity that needs regulating — a bank or a bank holding company; to be effective, the regulation must keep pace with the function.

Third and finally, there must be a reaffirmation of the uniqueness of banking and its importance to the economic fabric. I am not advocating maintaining the status quo. All through this speech I have suggested that change is inevitable and that the initiatives for needed changes are a primary responsibility of both the private and regulatory sectors. The economic viability and thus the safety and soundness of banks demand that they be allowed to compete in the marketplace.

What I am suggesting is that in the context of the current debate over the extent to which the mixing of banking and commerce is desirable, it is clearly in the public interest to maintain some fundamental distinctions between banking and other lines of commerce. For example, as I emphasized earlier, safety and soundness regulation is the cornerstone of bank supervision because of banks' unique role in the payments system, as intermediaries between organizations and people and as the safekeepers of depository funds and savings not placed at risk. While it is in the public interest for other lines of commerce to take aggressive entrepreneurial risks, not so with banking. The uncontrolled breakdown of the barriers between banking and commerce could so weaken the safety and soundness of banks as to constitute a massive disservice to the public interest.

Further, because banks use the public's money to serve the public's credit needs, it creates a most sensitive situation rife with potential conflicts of interest. There exists, always, the real danger that as banking and commerce intermingle creating situations in which banks either control or are controlled by non-bank interests, this relationship may be allowed to dictate credit decisions to the potential detriment of the general public.

Conclusion

And this brings me full circle to my initial premise. Congress is the proper repository for the public trust in making the critical determinations as to the evolution of our financial services structure based on a comprehensive, rational debate of all the issues involved. It is not acceptable to allow such far-reaching public interest determinations to be made by default by a fistful of Mr. Ludlum's shadowy and sinister characters for their own personal gain. We are a nation which prides itself on its commitment to some rather lofty principles concerning the economic and political rights of all our citizens. In the final analysis, this is a test of that commitment. Do we as a nation still seek to serve the best interests of all our people or are we just another nation that serves the interests of people on the make.

Thank you.

Mr. WEBER. Thank you. Since we're getting a little late, and since I've talked, questioned Vaughn and Les' testimony many times, I think I'm going to address a couple questions to you, Norb, for the record.

First of all, one of the most frequent arguments put forward by those who promote interstate banking, particularly in rural areas, is that with the increased capital investment necessary for agriculture today, the independent banks that served agriculture in the past in my hometown and throughout this district no longer are capable of supplying the capital necessary to a farmer, and then they argue, as I'm sure you've heard many times, that that means we have to have interstate banking to let Norwest and the first banks, and the other national banks provide that capital. Can you respond to that, please?

Mr. McCRADY. I can, Mr. Congressman. The fact of the matter is that in Minnesota today, there are more than 40 loan production offices representing such banks as Chase Manhattan, Bank America, Citicorp, Chemical—all of the major banks in the United States really are represented in Minneapolis with loan production offices.

Less than 3 years ago, Alexander Grant did a statewide study of small and intermediate size businesses. That means practically everything smaller than 3M and General Mills and so forth. They asked them if they had any problems in meeting their loan needs in order to operate their business. There was not one firm that testified that they could not have their loan needs met under present conditions.

The opening up of the U.S. interstate banking would do nothing to increase the amount of money that's available for loan purposes in any of the States. Nothing more can be done. There are a certain number of dollars in circulation. There is presently no restriction against that money being transferred from the New York banks, California banks, or the Chicago banks into Minnesota, therefore the only thing that would happen would be that in times of economic distress such as we are presently experiencing, particularly in the northern part of Minnesota and again in the agricultural areas of the State, we would find money being siphoned out. Loan money by financial institutions will always gravitate toward the point of highest yield. If we have interstate banking, the large interstate and sometimes international banking corporation will still reflect that the majority of their loans are made in the areas they can demand the highest yield with the least risk.

Mr. WEBER. On the withholding question, first of all, I think we're going to repeal it. I suspect that Congress will act the way it usually does and the repeal will come right at the 11th hour just before your schedule is to go into effect, but I do think that the size of the vote in the House and Senate would indicate that that probably is going to happen in time.

One of my concerns is a lot of banks have incurred the cost of complying with withholding because they didn't know that they were going to get rid of it or they couldn't bank on that, no pun intended. But you talked to us a little bit about how much it's going to cost the average bank. What is the extent of the financial burden on small banks of complying with this withholding requirement?

Mr. McCrady. Well, because of the various situations, some small banks have computers where they're already able to buy a software program and, in effect, have it in a state of readiness. Others don't have and felt that they needed some, so they bought a computer. You can't attribute that as a total loss, nor do they attempt to do that.

The fact of the matter is that the uncertainty of the entire matter has been costly, and second, the bill will probably be repealed, as you point out, or that feature of the tax law will be repealed. We certainly hope that your efforts are successful. Again, I want to express the appreciation of all my members for the excellent job that you did in spite of the fact that the pressures are as great on you as on anyone else in Congress. But the fact of the matter is, nearly everyone who potentially was going to be affected by this law has been in and has tied up the time of bankers and of their staff and of their attorneys, and they've been asking technical and complicated questions for which there were no answers. Even IRS had no answers.

Mr. Weber. Let me just pursue that one step further. I'm sure you're aware that some Members of Congress who will go nameless have suggested retaliating against the banks with punitive tax legislation.

Mr. McCrady. Right.

Mr. Weber. I'm sure you know which Senators I'm referring to there.

Mr. McCrady. Yes. I'm a personal acquaintance of Senator Dole.

Mr. Weber. First of all, one of the figures they've used is the low average percentage of tax that the average bank pays. Can you explain a little bit why it is that the effective tax rates on banks is lower than on other forms of business?

Mr. McCrady. Well, yes, I can. First of all, it should be clarified that I believe it's 2.7 percent they were talking about does not refer to the banks that I represent. The average bank I represent is about \$17.5 million in size. We went to the FDIC because we knew that we would have to be responding to questions about why aren't your people paying taxes and we found that the records of the FDIC—and I think that it would be entirely proper if someone from your committee would get that directly from the FDIC to substantiate it, and put it in the Congressional Record—that the average bank under a \$100 million—there were three categories of them—but they were paying like 23 percent, 25½ percent and 28-percent tax on earnings as opposed to the 2.7 percent which caused the whole industry to look pretty bad. The larger banks, however, in their defense, and it's not my job to defend larger banks. They are my adversaries, it is not entirely fair point to that problem.

The U.S. Government and Congress itself has asked the larger banks to become engaged in certain types of lending where, in exchange for that, there is a tax benefit. The Government couldn't provide the money. The banks cooperated because when Uncle Sam comes down on their head, they find it hard not to.

Mr. Weber. You've made two important points and I want to clarify them.

First of all, I'm glad you verified that figure does not apply to the small banks and a change in tax law that penalizes all banks

the same would really be grossly unfair, and I will request that study from FDIC and make it part of this committee's record.

Mr. McCRADY. Thank you.

Mr. WEBER. The second point I want to make, and I think this is illustrative of the kinds of problems we sometimes face when you talk about low effective tax rates and people talking about raising taxes or plugging loopholes: Even the large banks avoid taxes primarily through tax-free municipal bonds. Is that correct?

Mr. McCRADY. Now, I think this gentleman said he's not an expert in natural gas. I'm not an expert in banking, so I'll beg off on that question, but just as a layman's understanding of it, I would say you're correct on that.

Mr. WEBER. So if we want to raise taxes on those big banks that aren't paying taxes, we have to recognize that what we're going to do basically is eliminate or severely cripple the use of tax-free municipal bonds which, of course, creates a whole new set of problems for our local communities.

Mr. McCRADY. Exactly. The Senator that we referred to, and referring to him once is adequate right before a mealtime like this, is using, I say—and that's what I refer to in the final comments that I had here—arrogant contempt expressed by excess of public office.

I happen to be a combat veteran of World War II, and I don't take kindly to anybody abusing public office. I've been an elected public official myself, and I don't like to see anybody using threats of that kind in the name of the Government that we all sit here proudly as citizens of, and I intend to tell my acquaintance exactly how I feel about that sort of thing. It's not fair and it's not any way to enhance the stature of our Congress.

Mr. WEBER. Thank you. Vaughn and Les, before you leave, I just want to ask a general question which we asked of some of the other panelists: That's how do you assess the economic mood of your communities? What do you hear from the businessmen up and down the streets and your farm customers? How are people feeling about the future?

Mr. SCHRUPP. I guess what I hear, Vin, is kind of an uncertainty, not really knowing what the future does hold. A number of our people are in the PIK program. They're hoping that this will take care of some of the surplus problems that they have had in the past, but it's kind of an uncertainty at this point.

I think there seems to be a general feeling of things do look as though they're going to get better but we really aren't sure whether they are or not type of thing. I think there's a cautious optimism.

Mr. WEBER. That's certainly better than 8, 10 months ago.

Mr. SCHRUPP. Yes.

Mr. WEBER. Vaughn, what do you think?

Mr. SINCLAIR. I would certainly agree with Mr. Schrupp's comments that I think we have cautious optimism coming down the pike. I think we need to take a look at each community a little bit different.

I think in our St. James or Watonwan County area, we've got some very serious problems facing us in that people are talking about either walking out or closing up. There is a significant em-

ployer in our town, the Tony Downs Food Co., in a similar situation because they can't compete with the southern food processors.

Mr. WEBER. Why can't they?

Mr. SINCLAIR. They're talking labor rates, and there again, I'm not deeply involved in their financial problems.

Mr. WEBER. They would be moving to a nonunion State?

Mr. SINCLAIR. They're concerned about just locking up. I don't think they would move, but you understand that it would be a significant drop in employment for our county. So I think we do have some certain areas of terrific uncertainty that we need something more to stimulate us than just a little conversation, but I don't know what that's going to be.

While I have the floor, could I make another comment or two?

Mr. WEBER. Sure.

Mr. SINCLAIR. I shouldn't do that, but——

Mr. WEBER. Go right ahead.

Mr. SINCLAIR. You talked about a moratorium on farm foreclosures, and I wish I'd have had the opportunity to ask Congressman Luken at least because he was asking some questions about this, where the accountability is and the responsibility placed in certain of these programs.

First of all, I'm not in favor of a moratorium of farm foreclosures, but I'm not in favor of cutting people off at the pass when it hasn't been of their own doing. But the administrative people in these organizations have to be accountable for what they do, and some of these people should have been cut off 2 or 3 years ago. Low farm prices didn't get everybody in that shape. In other words, how can you legislate from Washington or St. Paul how a program ought to work in rural Minnesota?

I think we need to put some real strength into the people that are administering it like in the country, and then if the guy shouldn't be sold out, we ought to give authority to that local individual to bail him out of the trouble because he does have some capabilities, but they got to look at his management skills. Prudent management requires, in some cases, being able to meet change.

Mr. WEBER. I think that's a big problem we face. In our office, we deal with people that are troubled with Farmers Home Administration all the time, and a lot of them have legitimate concerns, and we try to help them out and make sure that they are able to stay in business. But occasionally you do come across cases where, as you point out, there are people who, for whatever reason, would be better off if they didn't just get in deeper and deeper, and I'm sure it seems true in the private banking system.

It's not cruel to a person like that to advise them their future is going to be a little brighter if they don't simply get more heavily in debt for the next year or two; and yet if you have a Government policy that directs you deal with all those people across the board in the same way, you can't make that kind of a distinction. I think that's a problem we face right now—that people are not making distinctions between the types of problems that farmers face. Did you have some other comment?

Mr. SINCLAIR. The other comment I think we've spent a lot of time today talking about is the most efficient industry in the United States, agriculture, and we've talked also about automobiles

a lot. Although my numbers certainly are wrong because the computer's going to change them from time to time, but I think a couple of years ago the Japanese were spending about 38 hours to build an automobile and we were spending about 78. I also think we need to be efficient in all of the things we do and that if we develop that efficiency, we won't have to worry about subsidies.

Mr. WEBER. If there's no more comments, I just want to thank everybody that came to participate today.

The Small Business Committee is a committee that is concerned with all aspects of small business problems, and we will issue a report based on this hearing that will summarize comments of all of the witnesses and draw some conclusions from them and disseminate them as widely as we can through the Congress.

Congress is literally buried in reports, paper, and information, and sometimes you have a sense it's all meaningless, and that's not quite true, but it is a battle to get your point of view heard on an equal level with everything else in a community in which information comes in torrents rather than trickles. So this is an opportunity, I think, to get our point of view in rural America disseminated through another means in the Congress of the United States, and I think it's been valuable, and I appreciate very much everyone's participation today.

The hearing record will remain open for 30 days for additional comments to be inserted into the permanent record.

So, with that, I'll call the hearing closed and I thank all of you for participating.

[Whereupon, at 12:25 p.m., the subcommittee adjourned, to reconvene subject to call of the Chair.]

APPENDIX



STEVEN W. ENGEN, D.C.

2002 Broadway
Slayton, Minnesota 56172

(507) 836-6922

June 11, 1983

Mr. Vin Weber
House of Representatives
318 Cannon Building
Washington, D.C. 20515

Mr. Weber:

Thanks for the invitation to your small business hearing in New Ulm on June 13. Sorry I can't make it on such short notice.

A couple of things bother me concerning small businesses in our area. First, the availability of funding assistance on the Federal level is probably unclear to most area small businessmen. Second, the farmers in this area are our economic base; their livelihood is ours. True, some need to be more frugal, but they all need a more stable market for their products.

Most people I talk with also feel that this new withholding of 10% of a person's interest income is insane. Once again the government is promoting inflation by discouraging people from saving their money. We both know that our most stable economy occurs when our nation's savings is fairly high. Enough said - Thanks for the invitation.

Sincerely,

A handwritten signature in dark ink, appearing to read "Dr. Steven W. Engen".

Dr. Steven W. Engen, D.C.

JACK FROST, INC.



Minnesota Fresh Fryers

June 17, 1983

Congressman Vin Weber
318 Cannon Building
Washington, D. C. 20515

Dear Vin:

I am sorry that I was not able to comply with your invite to testify at the Small Business Subcommittee Hearing on June 13th. Our recent acquisition of the Armour Processing Plant plus a press of other things seem to make this just one item too many.

In general, I feel that the concerns of Small Business for the most part are the same concerns that affect all of America's economic activity. In this area we have concerns of inflation and its counterpart interest rates, lack of discipline on government spending and its counterpart in the high deficits, emphasis towards consumption versus capital investment in the future, protectionism, and I could probably list a host of other areas of concern that impact heavy on our ability to grow annually in the net production of goods and services, and in the process provide meaningful employment on an ever increasing basis.

The special concerns of Small Business in my view lie mostly in the areas of regulation, taxation and credit. From what I have heard and from what we have noticed, there has been some reduction in the ever intensifying body of regulations that we have to cope with. I know this is a long hard fight and there are many forces that tend to operate to increase the regulatory pressure. I think the Reagan administration has done well to resist these, but backlashes such as EPA Administration compound this effort. In all of the regulatory areas that we deal with, such as OSHA, FDA, Wage and Hour, I think there has been a more critical concern for the regulatory impact on the efficiency of doing business, however it is still a long ways from being optimum and it is an effort that needs constant tension. In the taxation area, I would have to argue for simplicity of our tax code, Small Business in particular, as well as individuals are lost in a morass of impossible detail in trying to determine what our taxes may be. I suggest we have tried to use the tax system far too much as a means of indirect subsidy, and we would be much wiser to call a spade a spade and work towards something approximating flat tax that has been approached off and on in Congress. The third item is credit, and in this area I think there has been quite adequate provision through SBA and similar government assisted financial programs to provide the necessary credit for businesses that are indeed credit worthy. I do not think it is in the public interest to be over liberal in this area which then only encourages uneconomic activity and a waste of taxpayers money. On the other hand, without assistance I am afraid that we would find a greater gravitation towards larger and larger entities that can access the capital markets more efficiently, I think the fact has been well established that the small business units in our country do disproportionately contribute to job growth and innovation.

309 Lincoln Ave. S.E. • St. Cloud, MN 56301 • Phone 612-251-3570

Consequently, it behooves the nation to keep this segment of our economy viable and dynamic.

There is one other area that I think is a valid concern, and that is the problem of product liability insurance in particular, and jury awards in general for what I would call often times the natural hazards of life. Negligence has been a loosely interpreted word in jury trials, and I personally have been very much alarmed at the fantastic escalation and the very high awards for whatever, whether it be Dalkon Shield damage or personal injury and accident. The net impact of high jury awards is a cost to society in terms of economic inefficiency. I would encourage a limit be placed on class action suits and probably a legal limit of some sort on awards. I cannot offer specific suggestions but I do think this is a problem that is going to have to be addressed by our society before too long.

These are just a few thoughts Vin, just off the cuff and I am sorry that I am late in getting them to you and was not able to attend the meeting on the 13th. I hope that it went well and that you did have some good testimony.

Sincerely,


Don Helgeson

DH/mr

HUTCHINSON TELEPHONE COMPANY

30 SECOND AVENUE SOUTHWEST
HUTCHINSON, MINNESOTA 55350
TELEPHONE (612) 587-2323

August 1, 1983.

The Honorable Vin Webber
514 Cannon Office Building
Washington, D.C.
20515.

AUG 5 1983

Sir:

I was unable to attend your recent meeting in New Ulm on ways to help small business. However, it would be a big help to small regulated telephone companies if Congress exempted them from the federal Corporate Income tax.

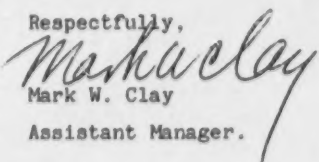
That tax is complicated and companies necessarily pass on to all users, including those living below the poverty level, the tax itself and the very large costs which companies incur in coping with it. Some poor people are already beginning to give up service because they can no longer afford it.

The idea that the federal government is so desperate for revenue that it must tax poor people on something as important as telephone service may become untenable as local rates increase. We received a violent criticism from a customer who said the banks and S&L's had at least fought for rescinding the withholding tax on dividends and interest while the telephone industry was doing nothing to try to have some of the many taxes on service abolished, as a means of keeping local rates as low as possible.

I called five companies and asked them whether they believed our industry should lobby for removal of various taxes on service. There was unanimous conviction that they did not want to lobby in that way for fear of antagonizing the taxing authorities.

Three of the nine existing taxes applicable to service in Minnesota are computed as flat percentages of the net rates, and if local rates go up sharply these taxes will go up proportionately. If the rates increase enough the regulatory agencies may not be willing to grant future increases which may be justified because of public reaction to the costs. If that happens the stockholders in the small companies may be suffering what could be called retribution for being too pusillanimous to fight for the interests of their low income customers.

Respectfully,


Mark W. Clay

Assistant Manager.



Leonard E. Reddemann
R.R. 2, Box 34
Sleepy Eye, MN 56085

June 13, 1983

Congressman Vin Weber
U.S. House of Representatives
Washington D.C.

Dear Congressman Weber,

In your letter inviting me to your sub-committee hearing on the state of small business in rural America, you asked the question, "What problems plague the small business in rural America today?"

I am a small business man, whose business is the transportation of agricultural products. My answer to this question is "DISCRIMINATION". Discrimination in every level of government, financial and insurance agency. I am able and willing to tell you the problems I have experienced time after time in five different areas. These are load brokers, financial institutions, insurance companies, Government and Railroad propaganda and finally taxation.

LOAD BROKERS -

These are the people we are forced to get our loads from. All we know them by is a telephone number. Many of them will start a load brokerage on Monday - dispatch loads all week, lock their doors on Friday and disappear. The following week they reopen under a new name and a new phone number. In the mean time our money owed us for our work has disappeared. Those that do pay us will not provide us with a rate so that we know we are getting paid right. We received a letter from a broker who said he couldn't pay us because of financial problems and that he was forced to close his doors. We are totally at their mercy if they want to pay or not. For us to do business we are required to be licensed and bonded. These brokers should be required to do the same, to protect the people who have to haul their loads and the public as well.

FINANCIAL INSTITUTIONS -

The first problem here is unequal interest rates for loans. The trucker pays 16% interest on the same type of a loan as a car loan. The person who buys a car only pays 8.8%. There is a full 7.2% difference between the two.

Most banks will not touch a truck loan. This type of discrimination goes on every day. In another case of discrimination a bank in Sleepy Eye refused my son Daniel Reddemann a loan to purchase a trailer. This refusal was based on my financial problems. He is twenty-three years old and is in no way connected with my business. He took a loan out on June 20, 1981 for 23,000 dollars. His payments are current and this loan will be paid off on December 20, 1983. All of his past experience has given him an excellent credit rating. BUT he was refused on my credit rating.

UNLAWFULL BANKING PROCEDURES

The last loan I wrote at the Northwest Bank in Mankato was in December 1982. As soon as this loan was written and signed the loan officer demanded a payment that same day. A couple of months later I owed him and promised him a payment. When he came the next morning he demanded 2 payments. When my wife said she could make one but not two payments he said he would repossess my trailers. Which he did indeed do that same day. There were no papers served nor was there a sheriff present to oversee these proceedings. Further more I was not even home during these proceedings.

INSURANCE COMPANIES

We have been over run by totally incapable insurance salesmen, who either don't or are incapable of understanding what a trucking needs for coverage. Their rates for a truck are totally out of line when compared to other consumer of business needs.

Actually in truth the heavy trucks have the lowest accident and fatality rate in the country. One figure I can give you is for what the newsmedia calls "killer trucks" or your twin trailers. In 1981 these trucks were involved in 177 fatalities across the nation, this figure is out of a grand total of 49,392 fatalities--less than one-half of one percent! But, we pay one of the highest insurance rates possible.

When we are involved in an accident where the other driver is at fault--witnessed by a police officer,~ my insurance company still pays. They say it's cheaper to pay the claim than fight it, because everyone knows a truck is always at fault. But that accident-witnessed by a police officer- will be put on my record, for which I will pay more the next insurance year for. The driver held an absolute perfect driving record his entire life up until this accident.

GOVERNMENT AND RAILROAD PROPROPAGANDA

The railroad associations have choked our business almost to death in the past. But never more so, than in the last few months. Every time I pick up a newspaper or magazine, I'm seeing more of the trucking industries undoing, caused directly by the railroad.

Everyone knows and it's been proven, that the railroad is the largest lobbying group our country has, on the Federal and state government levels. It has also been documented, that the railroads have financed many political campaigns. The trucking industry can't afford to buy our way through congress, but then we don't believe in passing laws this way either. When congress has a bill presented to them concerning our industry, questions should be asked before decisions are made as to voting on the measure. The news releases that were being handed out during the recent passage of the SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982 are perfect examples of this propropaganda. No where did the government ever release the truth of this bills' contents, exactly where the money from this tax will go or the damage it is to cause the economy.

TAXATION

My business is taxed, taxed and taxed again, by every state in the Union. Many of the state taxes we pay are totally unconstitutional. There is a paragraph in the Constitution -Article I, Section 9, that states;

"No preference shall be given by any regulation of commerce or revenue to the ports of one State over those of another, nor shall vessels bound to or from one State be obliged to enter, clear, or pay duties in another."

In every state of the Union, we are forced to buy license-permits-authority and bonds before entering their boundaries. Not to mention the fuel taxes we're forced to pay, in some cases if we haven't made our purchases in accordance with their mileage-fuel ratio, we pay tax on something we didn't need to buy. In other words we pay for thin air. These unconstitutional taxes and permit fees cost us thousands of dollars every year.

The Federal Government caused us, the independent trucker a great injustice when they passed the SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982. By raising our Federal Highway Use Tax from \$210 a year per truck to \$1900 A year per truck, also by raising our excise tax on new equipment and tires. We have to pay these taxes because the government says so. But in 1981 the trucking industry paid an effective U.S. tax rate of 46.1% while the railroads had a tax rate of -7.5%. That is-they received money back. Now the ICC has let them get into the trucking business.

Chicago and Northwestern Transportation Co. recently ordered 200- 45foot trailers from the Chicago-based Pines Trailer Corp. This equipment will be traveling the same highways as I do, this equipment will carry the same weight as I do. BUT, they will not pay the taxes I do.

The state of small business in rural America? Not good, not good at all.

I am 52 years old next month and September will mark my 32nd. year as a small businessman. In the past 32 years I have gone from one truck to eighteen trucks. I now own only 9. My name has been respected all through the Mid-west. I worked on holidays, on weekends and during bad weather. I've worked 24 hours a day everyday to get where I am. But with the taxes and discrimination, I can't do it anymore. At 4:00 pm on May 17, 1983 I was forced by the problems outlined in this letter to file ~~Chapter 11~~ Chapter 11 Bankruptcy.

Leonard Reddemann

Leonard E. Reddemann
Reddemann Trucking

Fred Kiecker
R.R.
Fairfax, MN

Congressman Vin Weber
U.S. House of Representatives
Washington D.C.

Dear Congressman Weber,

The problems of small business in Rural America is a subject that hits very close to my heart. The letter that Mr. Reddemann submitted to you, covers my problems exactly. You see I also am involved with the transportation of agricultural products. The only difference between us is that so far I have not been forced to file for Bankruptcy. This is not to say that if things don't change that I won't be joining him.

Fred Kiecker

Potter's, Inc.
1425 So. Broadway
New Ulm, MN 56073

JUNE 8, 1983

I

The Honorable Vin Weber
U.S. House Of Representatives
Washington, D.C. 20515

Dear Congressman Weber;

A few comments on small business in the rural area. Never can I remember the uncertainty in business as it exists today in rural America. We have seen and felt the very fast and drastic changes which are frightening. As we are all familiar with in business-the high inflation rate in the past and together with high interest rates and low commodity prices have created a very serious problem.

The past month I have spent considerable time visiting with farmers, Agri-businessmen, finance people, suppliers, manufacturers and others and found the same uncertainty and depression in all. Hope has kept many of them in it. Agri-business is today in a more critical condition percentagewise than the farmer (who is hurting). It appears in my estimation that we will lose near 30 % of farmers and Agri-businesses before our economy rights itself. The thought of this is a deep concern-not only to our present business but also to our future.

As the old saying goes "It all starts from the ground" is what we are going to have to concentrate on to preserve Agri-business in rural America. Many people in the metro area are perhaps not concerned about this, because of the small percent of people involved, so they feel it will not effect them. Yes, the percent of people on farms is small, but "If you eat-you are involved in Agriculture"

If the family farmer and the Agri-businessman can not exist with our present economy:-What happens then?? Who will own the land or business?? Who will operate it?? If these are taken over by large Co-ops, insurance companies, foreign investors, etc. -I will predict that food prices will triple within ten years of this taking place. Then doesn't our economy effect both you and I. Whether we live in a large city or a rural area -what will happen to our employment and tax structure??

I think it is time that people become aware of our serious problem and give deep consideration in ways to correct it. Many businesses would quit tomorrow if they had a way to sell and clear their debts.

Relating to the Farm Equipment business, which I am a part of, is in trouble. Articles in the magazines, newspapers, radio, and T.V. have told of manufacturers and suppliers that are in trouble. The loss of Farm Equipment dealers bears out the problem that they are experiencing. Financial statements of Equipment Dealers for 1982 in Minn. and S. Dak. that the average has been operating on 1/2 of 1 % and doing approximately two million dollars of business. Not too healthy a situation (especially for anyone below average) This explains the failures and future problems in the equipment business and many will be forced to close their doors. Will enclose latest financial report.

Potter's, Inc.
1428 So. Broadway
New Uim, MN 56073

The problems we are all aware of-but the answer to these remains a big question mark!!!! I feel that the areas that we need to concentrate on are-
Taxes--Commodity prices--Insurance--Bankruptcy laws--Merchandizing--

Inventory control--Government intervention--Utilities--Seminars & Education.

TAXES--The Agri-businessman will be eliminated if local, state, and Federal taxes keep increasing. The small businessman is paying more than his fair share of taxes; We need some adjustments. Also, with today's tax laws it is almost impossible for a business to hand down his business to a son or daughter. Make the free-loader go to work and tax him.

COMMODITY PRICES; -They have not inflated with other prices and the tremendous job of production that has been done has kept many going. Perhaps we should subsidize exports so we can be competitive with foreign markets. The P I K program is not all bad but would of preferred if it would of been set up on a three year program with better ceilings on payment amounts.

INSURANCE:- Minnesota business knows about Workmans Comp. Insurance Rididulous-Let's get the politics out of it. Liability claims can break a business with the tremendous dollars being paid on claims. The courts need to be fair with business.

Bankruptcy LAWS:- Boy, do we need to rewrite the laws on this. It is unbelievable the things that our taken place on this and small business needs some protection.

MERCHANDIZING:- Agriculture products need better selling methods. We have the product -but have not done a job of selling. If we can sell our ~~ware~~ and get a fair price for our Ag. products, we all will benefit.

INVENTORY CONTROL:- Perhaps one of the pitfalls of many. In our business many ~~are~~ selling goods coming due for invoice or less to get cash flow. A sure way to get the padlock on the front door.

GOVERNMENT INTERVENTION:- We don't need lot's of Government intervention in small business. We need your cooperation but not controls and tons of paper work. Many things could be simplified.

UTILITIES AND GAS PRICES:- These have effected small business operating costs greatly. Tremendous increase the last 10 years.

SEMINARS & EDUCATION:- Small business perhaps has lagged in things as accounting, Cash flow, Hiring & personnel. We realize that business ways have changed and we have not kept abreast.

Small business is very essential to the American way of life and we have confidence that you will put 100% effort into saving it. I thank you for the opportunity to express my thoughts on this subject and offer any future assistance that I can help with.

Sincerely
Donald W. Potter
Donald W. Potter

NOTE: Lower interest rates have helped small business -should it go back up to 18 or 20 % ,it will eliminate many.

1982 COST OF DOING BUSINESS STUDY

	AREA 15	MINNESOTA-SOUTH DAKOTA ASSOCIATION 136 PARTICIPATING DEALERS	AREA 15	ALL AMOUNT	DEALERS % SALES	AREA 15 AMOUNT	HIGH PROFIT % SALES	AREA 15
SALES								
NEW EQUIPMENT				1,003,467	46.27			
USED EQUIPMENT				535,897	21.94			
TOTAL NEW AND USED				1,539,364	68.21			
REPAIR PARTS		*		140,541	5.76			
SERVICE LABOR				148,183	6.04			
OTHER LINES				165,405	6.73			
RENTAL-LIASE INCOME				13,143	0.53			
TOTAL SALES		**		2,266,636	100.00			
MARGINS								
NEW EQUIPMENT				83,460	3.68			
USED EQUIPMENT				18,493	0.81			
TOTAL NEW AND USED				101,953	4.49			
REPAIR PARTS		*		124,565	5.49			
SERVICE LABOR				57,619	2.54			
OTHER LINES				18,368	0.81			
RENTAL-LIASE INCOME				6,923	0.30			
TOTAL TRADING MARGIN		**		309,428	13.65			
LESS TOTAL EXPENSES				340,082	15.00			
NET PROFIT ON SALES				30,346	1.34			
OTHER INCOME				43,959	1.94			
NET OPERATING PROFIT OR LOSS		**		12,905	0.57			
-BEFORE INCOME TAXES								
EXPENSES								
SALARIES - SALESMEN				28,250	1.24			
TRAVEL AND TRAINING				4,765	0.21			
ADVERTISING AND PROMOTION				16,029	0.71			
WAREHOUSES AND EQUIPMENT				1,243	0.05			
ADU SERVICE LABOR				0	0.00			
TOTAL SALES EXPENSE		*		63,280	2.79			
SALARIES - OFFICERS, OWNERS				3,180	0.14			
SALARIES - PARTSMEN				26,534	1.17			
SALARIES - OFFICE AND OTHERS				22,390	0.99			
OCCUPANCY EXPENSE				8,353	0.37			
HEAT, LIGHT, POWER, WATER				1,985	0.09			
TELEPHONE AND TELEGRAPH				1,985	0.09			
SHOPSUPPLIES AND EXPENSE				2,347	0.10			
CAR AND TRUCK EXPENSE				2,347	0.10			
TAXES - EXCEPT PAYROLL & REAL ESTATE				2,347	0.10			
EMPLOYEE BENEFITS				2,347	0.10			
DUES AND SUBSCRIPTIONS				866	0.04			
INSURANCE - EXCEPT GROUP & R.E.				3,118	0.14			
LEGAL AND AUDITING				3,200	0.14			
INTEREST & BANK CHGS - EXCEPT R.E.				12,992	0.57			
DEPRECIATION				7,280	0.32			
CONTRIBUTIONS AND MISCELLANEOUS		**		34,082	1.50			
TOTAL EXPENSE				101,953	4.49			

AREA 15

AVG NUMBER OF EMPLOYEES PER DEALER - INCLUDES OWNERS.....	11.64
AVG TOTAL SALES PER EMPLOYEE.....	194,729
AVG TOTAL SALES PER EMPLOYEE INCLUDING OWNERS.....	134,263
AVG NUMBER OF SALES PER SALESMAN.....	134.2
AVG NEW AND USED SALES PER SALESMAN.....	563.870
AVG NUMBER OF PARTS MEN.....	1.71
AVG PARTS SALES PER PARTSMAN.....	234,235
AVG NUMBER OF SERVICE MEN.....	26.123
AVG SERVICE SALES PER SERVICE MAN.....	5.54
AVG NUMBER OF OFFICE EMPLOYEES.....	1.23
AVG NUMBER OF OTHER EMPLOYEES.....	7.57
AVG WAGE RATE OF BEGINNING MECHANIC.....	6.09
AVG WAGE RATE OF CHARGED CUSTOMER.....	19.39
AVG SHOP RATE - DEALER INTERNA.....	17.89
SERVICE SHOP-OPEN - HOURS PER WEEK.....	47.39

Heymann Construction CompanyIndustrial - Commercial
Residential Building

210-3rd South St. - Box 606

Phone 354-3174

NEW ULM, MINN. 56073

June 6, 1983

Congressman Vin Weber
514 Cannon Building
Washington, D.C. 20515

Re: Hearing on Small Business
6/13/83 New Ulm, Minnesota

Dear Vin;

I want to thank you for the invitation to participate in the hearing but unfortunately I will be in St. Paul that day attending our monthly AGC board meeting.

I am, however, pleased that you did choose New Ulm as one of your sites for this sub-committee hearing, as it will give the area a chance to be heard at the grass-roots. I hope you have an overflow crowd.

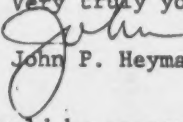
I am very concerned about the state of our economy and I think there are lots of remedies, most of which only congress has the control over.

- # 1. Reduce the Federal deficit
 - a. Cut back on waste in government
 - b. Reduce spending
 - c. But, do not increase taxes
- # 2. Eliminate the Davis-Bacon law or have it apply to projects costing in excess of \$1,000,000.00 only.
- # 3. Reduce the amount of contracting done by the Federal government. Turn more over to private industry who will do the same work for less dollars.
- # 4. I know that you support most or all of the President's programs, so encourage fellow congressmen to do the same. I think Reaganomics is the "best game in town" at this time.

I am sure there are other well deserving comments that will be made during the meeting and I wish I could be there to listen.

Thanks again for the opportunity.

Very truly yours,


John P. Heymann, Jr.

P.S. I know this meeting should be concerned with our agenda in Washington, but is there anything you could do to help make Minnesota a more competitive state? Maybe, this is asking too much!



First Bank Blue Earth

First National Bank of Blue Earth
305 South Main Street
Blue Earth, Minnesota 56013
507 526-3211

Peter L. Hollister
President

June 8, 1983

JUN 10 1983

Representative Vin Weber
514 Cannon Building
Washington, DC 20515

Dear Representative Weber:

Mr. Bangert retired from the bank on April 1, so I am taking the liberty of responding to your letter of May 20.

As you know, small business in rural America is tied very closely to agriculture. With the agriculture economy in such a deep recession, our small businesses are suffering. The P.I.K. program will help our farmers recover if it is continued. However, many of the ag-related small businesses are being adversely impacted by the reduction in planting. It will be difficult for them to survive if programs are not put in place to assist them during the recovery.

It seems that each time a new small business program is announced, it is one to help establish new business. I believe the time is right to start a program to help existing businesses. Most of our small businesses expanded during the 70's and incurred much long-term debt at high rates. If a program to assist business with their high interest costs was begun, I believe we could save many of them.

The interest subsidy or buy-down programs are attractive. However, they are primarily for new and expanding business. Most of our businesses don't need to expand -- they need interest rate relief.

Of course, the ultimate answer to interest rate relief is to reduce the deficit. More cuts in spending are needed along with the additional revenues which will be generated by the recovery. Please continue working for reduced deficits.

Thank you for this opportunity to express my concerns.

Sincerely,

P. L. Hollister
President

PLH:sp
Member First Bank System

June 10, 1983

The Honorable Vin Weber
The United States House of
Representatives

Dear Mr. Weber:

Thank you for asking for my comments on the needs of small business and what Congress can do to help them.

One of the biggest problems of small business in rural America is capital formation. Capital in some form, either owner equity or borrowed, is required in most business. All forms of capital are hard to acquire and hard to retain.

The business I am in is grain and livestock production. The problems we have are very similar to the problems of other businesses except it probably requires far more capital to employ one person than is required in most other industries.

For some time farm businesses have been operating with high input costs and depressed sale prices. Many financial statements the past years show reduced equity in the business.

If a business is successful and shows a profit there are many units of government after it for some "good" cause, thereby reducing the amount of capital that can be retained in the business.

Here are some things I feel that can be done to assist small business:

1. American farmers are efficient and can produce far more than the people of our country can consume. We need the export market. We need free trade, free from excessive cost that others wish to add to our production and free from restrictions and competition of foreign governments. Agriculture needs the vigorous support of our Government to achieve this.

2. The structure of a business can affect its profitability. Small business need the benefits of a corporate structure but find that it is difficult to do. They especially need the provision of the lower tax rate on retained earnings.

3. Various Individual Retirement plans benefit those who wish to reduce tax liability. The problem is that it still takes money out of the business and invests it elsewhere, while it might be put to good use in the owner's business. How about a program similar to the IRA's whereby the money is invested in permanent assets of the business and taxed when the taxpayer disposes of it?

4. Social Security costs are also headed for the moon. Many businesses grow in value in the course of a few years. Many times a business in good financial condition will provide sufficient retirement income. How about a program whereby a taxpayer might invest his Social Security payment in permanent, non-depreciating assets of his business thereby increasing Capital Assets?

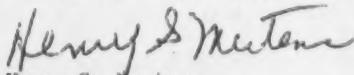
5. Business needs realistic real interest rates. Many work on a small margin because of competition. A well financed business with a lot of owner equity can survive while one that needs to borrow heavily will fail.

6. Family business needs the benefits of the recent estate tax laws. These benefits need to be guarded zealously. It is far better for an individual to benefit from a gift through estate planning than from a government hand out.

7. Farm programs may be needed for some years. Many people have benefited directly but many more have benefited indirectly. While the purpose of the programs is to build a strong and viable agriculture thereby ensuring a well fed nation, it has also resulted in over-production of some commodities. Much of this over-production has been at the expense of the taxpayer and of the land. Therefore steps must be taken to protect all land but especially "fragile" land. Program benefits should be more fair to the producers. In the current program it is not unusual for identical land to vary from \$10 to \$40 per acre in program benefits.

Many rural American businesses are struggling to survive. If our nations economy keeps recovering, most will make it and if our various levels of government give our small businesses a chance they will become more viable and build better communities.

Sincerely,



Henry S. Mertens
Ozatonka Acres, Inc.
Box 100
Easton, MN 56025



**ANDERSON
CHEMICAL
COMPANY**

"THE STATE OF SMALL BUSINESS IN RURAL AMERICA"

Prepared for and at the request of:

The Honorable Vin Weber, U.S. Representative from the 2nd District, Minnesota.

As testimony to be presented to:

The House Small Business Subcommittee on Anti-Trust and Restraint of Trade at a hearing in New Ulm, MN., June 13, 1983 at the New Ulm Library, 10 am to 2 pm.

Introduction: First of all, I feel very appreciative to be able to have the opportunity to express myself on a subject that is very important to me and vital to the long-term economic health of this great country.

Although I feel strongly that what will be presented is logical and truthful, I'm not so naive to believe that even a slim majority will agree with me. I guess that becomes a point in itself, the question of democracy vs republic. There's a big difference between the two of which most people are totally ignorant.

A democracy assumes the collective majority of the people is right, whereas, in a republic opinion, the individual's rights and freedoms cannot be destroyed at the whim of a capricious or envious majority. We are currently a democracy, we were once a republic and should once again strive to regain the ideals and freedoms that our republic once stood for and guaranteed to all.

So, with this most brief introduction and philosophical foundation I will proceed to summarize my thoughts on what small business really needs to thrive in America, rural if you wish to be specific, but urban small business can prosper under the same opportunities.

LITCHFIELD, MINNESOTA 55355 • 612-693-2477

When congressman Weber asked me once what he should do for me in Washington, I said "Nothing". Do what is right for free enterprise and I'll prosper and benefit.

- I. TAXES: Taxes are paid by businesses and deducted as a cost of doing business. This cost is then passed on to the end-user, eventually the consumer.

A small business, and privately-owned specifically, is saddled with many taxes. Federal income tax leads the list, followed by state income tax, real estate tax, inheritance tax, FICA taxes, unemployment taxes and I hope I haven't missed any but it's possible.

Where to begin? The inheritance and estate taxes are probably the most unfair, unjustified and onerous taxes levied against anyone. Why should anyone who has labored his whole life long to build something, paying taxes, all the way, be assessed another tax (double taxation) upon his death? Why? Greed! Plain and simple, some politicians feel that no one should be able to pass on assets without first redistributing some of them to others. Because others have a "right" to the good life too, whether or not they work. So politicians, believing that they are doing what the mob (democracy) desires, satisfies them with "legally stolen" gifts. It's amoral at best.

Income taxes on corporations are also double taxes; taxed once as income, twice as dividends, or if not paid out as dividends, a company is threatened with excess retained earnings taxes!

I won't belabor the point on whether or not we should even have an income tax vs a consumption tax. I will say that for small business to grow and expand, giving reasonable returns to stockholders, it has to continually reinvest profits. The tax rate on corporations is too high. The tax increments should be spread at \$100,000

levels up to \$500,000 and at \$500,000-\$1,000,000. It shouldn't be higher than 20% up to \$500,000, 30% to \$1,000,000 and 40% over \$1,000,000 if the corporate tax is to be retained at all.

- II. REGULATION AND PAPERWORK: About 3 months ago the Dept. of Commerce sent out industry census forms. 70% of the information we couldn't retrieve because of the length of time it would take using a manual system. I ignored two additional requests for compliance. The third request was with a threat of a \$10,000 fine so we did the required work. I figured it cost us about \$300-\$500 to fill out that one report!

The regulation and related paperwork is a very significant burden on all businesses. Why does government need this information? Simple-control. Our founding fathers would laugh (and then cry) if they would see us now, so many Americans believing we live in a freedom-loving country. I should clarify that; I still feel there are many freedom-loving citizens, but obviously, not many politicians.

Slaves are regulated, supposedly for their own good and the welfare of the masses. Are we so far from slavery?

The paperwork and regulatory maze must be reduced dramatically, but will it ever get more than lip service?

- III. RESPONSIBILITY/FREEDOM: My company is about 60% directly related to the dairy industry which is currently subsidized to the tune of over \$2 billion. My company would feel the pinch of cutbacks in dairy price supports. Yet I feel very strongly that we would weather the impact and come out stronger on the other side in the event of a total elimination of supports.

If this country is going to remain free and strong we have to embrace and dearly love the principles of honesty and responsibility for self-action. Governments create inequities in the economy by favoring some industries over others. This causes distortions and a long-term dependence, on the part of those industries, to more and more government fixes.

Who bails out Anderson Chemical Company if we go broke? Not many tears are shed except by employees and small towns people who relied on the payroll dollars turning over locally. But government feels obligated to help a Chrysler. Again why? Greed! Votes from those whose jobs are saved.

Government is playing "Robin Hood" today. Unfortunately it is not the king and his lords that are "raped", it's the heart and soul of America-the middle-class. Yet the middle-class acts against its own self-interest long term by being duped into believing more government is better and good.

Freedom will only be recaptured when a solid majority of the voting public quits greedily looking for gifts from monies transferred from others to the ever-growing public coffers.

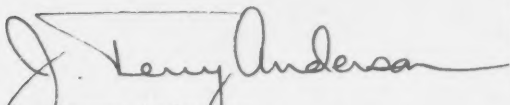
I enter, for the record, two articles on the above-mentioned problems. I think they clearly elucidate the problem created by the centralization of power and the bright hope of those who are willing to assume total responsibility for their lives.

In the winter of a civilization individual (with moral implications) rights are increasingly abused to satisfy an ever-growing greedy and amoral majority. What is good for a republic (not a democracy) is good for small business in rural America.

There is much more to be said, but what I have said summarizes my deepest feelings about what is right and needs to be done (shortly) to preserve human freedom in this country.

Thank you, with deep respect,

ANDERSON CHEMICAL COMPANY

A handwritten signature in cursive script, reading "J. Terry Anderson". The signature is written in dark ink and is positioned above the printed name and title.

J. Terry Anderson
President

JTA:vs

Taylor's, INC.

Quality Building Materials

106 South First Street

MARSHALL, MINNESOTA 56258

Phone (507) 532-2284

Aluminum Comb. Windows
 Bathroom Vanities
 Brick
 Cabinets
 Carpet
 Cattle Panels
 Counter-Tops
 Ceiling Tile
 Ceramic Tile
 Cement
 Drain Tile
 Electrical Supplies
 Fencing and Gates
 Fireplaces
 Glass
 Hardboards
 Hardware
 Hardwoods
 Insulations
 Light Fixtures
 Lime
 Linoleum
 Lumber
 Metal Roofing
 Metal Siding
 Mouldings
 Nails & Bolts
 Paneling
 Particle Board
 Payboard Fixtures
 Plumbing Supplies
 Plywoods
 Rain Carrying Equipment
 Reinforcing Rod & Mesh
 Roofing Products
 Scaffolding (Rent)
 Sheetrock
 Styrofoam
 Supermix Paints
 Tools
 Wire
 Windows & Doors
 Vinyl Floor Covering
 Vinyl Siding



TO WHOM IT MAY CONCERN:

12 June 83

Interest rates are the main obstacle to small business success in rural America. The overbearing expense involved with high interest rates pervades all other problems regarding financial security.

Rates over ten percent (10) quell expansion, stifle the prospects of adding new people because of the uncertainty of the businessman regarding his future ability to repay loans when his interest rates are high and not necessarily locked into position. One can not afford to hire someone to expand production or sales if the operator is not sure whether he can handle the expense. Resultingly, one hesitates to expand the inventory mix when he is having trouble financing what he already has in place.

Social security taxes, workman's compensation expense and unemployment taxes also add to the burden. When all of these factors are reviewed by a small businessman they become too ominous to attempt to handle and the desire to expand ones risk is outweighed by the probability of failure. Why risk a bird in the hand with two in the bush?

The result is that larger firms, national, inter-regional, perhaps international, are in a better financial position to enter the marketplace with chain type operations as they have a much broader base on which to spread the risk. Stockholders and other sales and production entities end up financing the expansion. The small businessman in rural America does not have this option. The growth of chain operations bears out this analysis.

Until these burdens are reduced, especially in very uncertain economic times, you will continue to see the demise of small business nationally. The result is the deterioration of what has been the backbone of American business.

Sincerely,

G.S. Taylor, President
 Taylor's, Inc.
 Marshall, Minnesota



114 WEST MAIN ST.

MADELIA, MINN. 56062

DALE R. WILLIAMS
PHONE 507-842-8801

June 13, 1983

Honorable Vin Weber
U. S. Representative
Washington, D.C.

Dear Honorable Weber:

The plight of the Small Business in the United States is so varied and regionalized, that it is very difficult to pull it together in one easy solution. I will just indicate some concerns which come to mind that may help the small business persons in rural Minnesota.

1. Repeal the Davis-Bacon Act. This is very detrimental both to small contractors, as well as increasing costs to Local and State Governments. I think, we are beyond unions running both business and the Federal Government.
2. Interest rates which fluctuate so extreme. The cost of money cuts into narrow profit margins so rapidly. These costs seem to back-up all along until it does reach the Federal Government through Federal Revenue Bonds.
3. There should be a top limit on the amount received from the Federal Government on any farm program enacted. I think Congress must address the question of the "Family Farm" size. I realize this will vary from region to region. What the rural Minnesota business person needs is more population in their trade-area. Keep more people farming.
4. I feel that both the Federal and State unemployment costs are too great. This can only be reduced by less benefits.

These are a few of my concerns regarding the Small Business' in Rural Minnesota.

Thank you.

Sincerely,

Dale R. Williams

DRW:bls

WAYNE M. DEUTSCH, D.D.S.
 BOX 395
 666 ATLANTIC AVENUE
 HANCOCK, MINNESOTA 56244
 Telephone 392-3300

JUN 13 REC'D

Honorable Viv Weber,

Thank you for your letter "The State of Small Business in Rural America." Enclosed are a few thoughts:

I agree with you that most government programs benefit the big cities I lived in Minneapolis for 4 years and now I live in Hancock (approx 900 people).

1. Farm prices and activity really affect main street. We need a strong farm program and market for our grain. If we can't sell it let's make all the excess into alcohol and save it for the next fuel crisis.
2. Our taxes are terrible. Small businesses just don't hire because of Social Security, Workers comp, Unemployment, high individual taxes.
3. Equity in tax funds for big and small towns. Our schools are important to us. If we have to use the per student state money when we have only 10 students for a teacher and Minneapolis has 25 students for a similar teacher our schools have to cut back. We need more

money per student.

The welfare money goes mainly
to big towns and their businesses.
We pay the money out and it
doesn't come back to our community.

We also pay the increased gas
tax which goes to pay for big city
Roads

4. Red Tape Red Tape Red Tape.

When I started up I had
to apply for Federal and State
ID numbers. I didn't even
know they existed. Next came
forms that had to be
filed immediately but required
ID numbers that I didn't
have yet.

By the time I figured out what

UC and FUTA were there
was Employer's quarterly
and Estimated taxes.

Also I had to apply for
a welfare provider number
XRay Registration number

Drug enforcement Agency number

Then welfare pays me for my
work at a discount from
1973 Fee schedule. What else?

How about sales tax on out of state
purchases. Some things get medical exemption
But which ones?

Thanks,
Wynne
Dutch

REDWOOD FALLS FEDERAL SAVINGS AND LOAN ASSOCIATION

Branch Office:
Post Office Box 127
824 S. Lincoln Ave.
Olmsted, Minnesota 56277
Telephone: 612-923-7040

Post Office Box 317
WASHINGTON AT THIRD STREET
REDWOOD FALLS, MINNESOTA
56283

Telephone 507-637-8730
June 8, 1983

Congressman Vin Weber
318 Cannon Building
Washington, D.C. 20515

Dear Congressman Weber:

Thank you for your letter of May 20, 1983, concerning the House Small Business Subcommittee on Anti-trust and Restraint of Trade to be held in New Ulm on June 13, 1983.

The greatest immediate need for us will be the repeal of the law withholding tax on savings. This would have been a tremendous hardship on the smaller savings and loans and banks. It was also upsetting our customers and would certainly be costly and would discourage savers who provide capital. There are many other reasons that you are well aware of. We appreciate your efforts in this repeal. Most of our neighbors in the savings and loan business have been forced to merge already with larger associations who will not contribute as much to the local communities as the smaller ones with their concern for their communities, their own officers and community leaders.

Another major concern in your district, as you know, is the fear of a return to the high rates of interest. We must continue to try to stabilize and reduce these rates in order to instill confidence in the public and the lenders.

Deregulation also concerns many people. I feel that we must make changes in rules and laws more slowly and with more concern of the effects. Change must be made for the common good and not just for the sake of change. Too many people and businesses had no time to adjust and are now out of work or their businesses are closed.

I know that you are working toward the above goals and we appreciate it. I could go on about taxes, federal budgets, inflation, waste but will leave those solutions up to you who know a lot more about the problems than I do.

I would like to commend you and your staff on your newsletter and your promptness in answering your mail. Thanks again.

Sincerely,

REDWOOD FALLS FEDERAL SAVINGS & LOAN ASSOCIATION

Paul W. Pryor
Paul W. Pryor
President

PWP:plh



SAVINGS NOW INSURED TO \$100,000.00

Swanke Motors, Inc.

145 Washington Ave. E.
Hutchinson, Minnesota 55350
587-4999

June 9, 1983

JUN 13 1983

Vin Weber
2nd District, Minnesota
318 Cannon Building
Washington, DC 20515

Dear Representative Weber:

Thank you for your recent letter of May 20 regarding the forthcoming meeting at the New Ulm Library on the topic "The State of Small Business in Rural America."

If my schedule allowed, I would be more than happy to participate in the hearing that relates to the small businesses in rural America. However, on this particular date I will be in the state of ND and will be unable to participate.

Thank you for your consideration of having me participate in this field hearing.

Sincerely,

J. Swanke /pk
James A. Swanke
President

JAS:imk



Rural Route 2
St. James, MN 56081
June 6, 1983

Congressman Vin Weber
514 Cannon Building
Washington, DC 20515

Dear Congressman Weber

In regard to your letter as to what's happening to small business in rural America, I can only testify as to what's happening to me as a farm equipment dealer and some of my neighboring farm equipment dealers.

In 1981 we shipped a normal amount of equipment in for resale. Sales fell that year and each following year to approximately one-sixth of the normal sales period of 1981. The interest on the remaining notes were in 1982 at a cost of about \$24,100. In 1983 the same notes were increased by 10% by International Harvester to allow dealers to reduce the monthly interest payments and allow more capital for the dealers to operate on.

After the dealers agreed to increase the notes at 10%, we received a letter from Harvester saying in the event that a dealer closes out, he must still pay that 10%.

My neighboring IH dealer to the West at Windom filed bankruptcy in 1982. To my South the IH dealer filed Chapter 11 to reorganize. To my East at Madelia the John Deere dealer canceled his contract. To my North the IH dealer at New Ulm changed hands in 1981.

What's happened to us from dealer cancelations and with new dealers starting up their new inventory are costing them from 15 to 28% less than our accrued costs on our inventory. These cost fluctuations are devastating to dealer customer relations and our profit structure.

For most of us, one more year and the rest of us will have bit the dust.

As far as Congress helping us, I really don't know if anything can help us. Only if there would be some kind of Grant Program to help us with the interest payments or payments of loans until this PIK program starts working.

I have been associated with the farm equipment business for 21 years and just about all the dollars gained or earned has now been lost in the recession. We have operated at losses as high as \$18,000 a year for the last three years.

Congressman Vin Weber

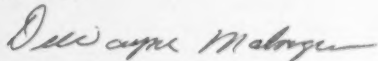
2

June 6, 1983

To make matters worse, in December of 1982 we had a Federal Income Tax audit which created a great deal of distraction and a large amount of frustration for about a month and a half. I felt that the two IRS agents that were involved in the audit were both fair and honest. The audit did not hurt us in any way financially.

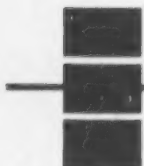
I can only hope that perhaps you can find some answers in your field hearings that can help future small businesses survive the conditions we have just went through.

Sincerely



DeWayne Malmgren
Owner, Malmgren Implement

mlm



Triumph STATE BANK

TRIMONT, MINNESOTA 56178

June 14, 1983

PHONE: 507/639-2141

Representative Vin Weber
318 Cannon Building
Washington, D. C. 20515

Dear Representative Weber:

Thank you very much for your personal invitation to hearing you held in New Ulm on what is happening to Small Business in rural America. I could not attend this meeting, but have real concern for what is going to happen in rural America if changes are not made immediately.

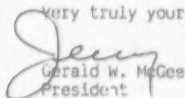
Small rural business people need some protection from the giant corporations they must deal with. How many towns have you been in since being elected to office where you see vacant John Deere, International Harvester, Ford, General Motors, Chrysler, Case and Allis Chalmers dealerships that have closed. Some of these I grant went broke because of poor business management, or economic conditions. If you would take a look at half of these, I would say they are closed because the Company would not transfer the dealer franchise, or took the franchise away from dealer because would not construct new building because it would not be feasible where the present building is serving the purpose. Individual business people need some protection from these giant corporations. I could go on for hours telling you about cases I know of where these large corporations discriminate against the small mostly rural dealers.

In Trimont, we have several vacant business, because the company franchise would not be transferred or was taken away. They are mainly recently the Chevrolet dealership, International Harvester dealership, and in years past the Ford dealership and John Deere. We are just one small town of many in rural Minnesota that has lost these business because of the actions of these Giant Corporations that local dealers have no control over.

Looking in the future, I can see the same thing will happen with banking, if the giants like Citicorp, Bank of America and Chase Manhattan are allowed to take over the banking business and have nation wide branch banking. If this would happen I foresee down the road that there will be several rural Minnesota towns that will be without a banking facility, and if there is one left in community, it will be only to accept deposits, and all loan decisions will be made in New York, California or Florida, and then you can see what decisions will be made for a small business or farm in the rural Minnesota community.

Thank you very much, and hope my thoughts will be helpful to you.

Very truly yours,


Gerald W. McGee
President

GWM

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

PERTEK inc.

MAY 31 REC'D

May 27, 1983

Honorable Congressman Vin Weber
318 Cannon Bldg.
Washington, DC 20515

Dear Honorable Congressman Vin Weber:

I follow with interest your activities as our Congressman in the House.

I want to respond by this communication to your recent letter in regard to small business.

We have been in business here in Trimont for over forty years. This year has been our most difficult. On the average, we employ twelve to fifteen people annually. Our village is only 950 population so this is significant for our town.

High interest rates, costly insurance and high taxes really make it tough for a Minnesota business. The latest whammy is the PIK Program. Since our business is grain related in every way, it is a real killer. Because of this grain relation and dependence on grain sales, grain equipment and grain storage, banks become reluctant to give support. Presently, they are threatening to pull the loans because of the uncertainty of business involved especially in grain.

I, personally, as well as two other of our working stockholders, have gone without paychecks since January in order to keep our business in tact. We are confident that once this PIK Program settles out the business climate will be good again.

Agriculture as a whole can be jeopardized because the ag businesses who have trained people to render services to farmers have to be laid off and dispersed to other industry. A loss that will take time to recoup.

We believe in free enterprise system and don't want to depend on government programs. Do feel Agribusiness needs a SIX Program (no pun intended) Support In Kind.

Thank you for your interest. Looking forward to hearing from your office.

Sincerely,

Don W. Persson
Don W. Persson

PO Box 8
Trimont, Mn. 56176
Ph. (507) 639-2411

DWP/jea

May 30, 1983
503 1st Ave. N.
Sleepy Eye, MN. 56085

JUN 3 REC'D

Representative Vin Weber
514 Cannon Building
Washington, D. C. 20515

Dear Representative Weber,

I'm flattered that you have asked to participate in the hearing on Monday, June 13, that you will hold at the New Ulm Library from 10 a.m. to 2 p.m. on the topic "The State of Small Business in Rural America."

I'm employed part time in the office of Moorman Mfg. Co. here in Sleepy Eye and at present one of the office employees has had eye surgery - and am not sure she will be back that day - and Mondays are our busiest days - so it is with great regret that I say I think I can't make it. However, I will try - even if I should be there a little late.

I have to admit from what I see here in Sleepy Eye - I honestly think business is slowly coming out of the slump - we have had two businesses, which have owners retiring, successfully sold. One sale is still not for publication. Our hospital, which we have been fighting for several years to save, is in the process of opening the second floor, which they vacated about six years ago, due to not enough patients. However, this is due to acquiring a surgeon and having a staff of three other excellent doctors. Sleepy Eye is building a new city building and off sale liquor store - our optometrist is remodeling office space down town (he was in the hospital upstairs), an office building is being erected downtown, a firm from Iowa purchased two lots on a corner of Main Street and is building a gas station, small convenience store and small cafe in that location, a new funeral home is being built and Garst Seed Co. has purchased 80 acres and set up an office in Sleepy Eye. Houses are selling - which is hasn't seen in any degree for a long time - and there are permits for many new ones.

I guess this is contrary to the questions asked - but I feel most of the reactions you get are negative - so a few positive statements must make you feel good.

I hear a lot of concern about social security - the increase will really hurt the employer, as well as the employee. I shudder to think what those payments will do to the farmer and self - employed worker. That additional cost will be staggering. For someone like a farmer, with a big debt load, the interest rate is still much too high.

As a representative in congress, this problem is not really your concern, but Minnesota is taxing us to death. Our young son, who now is in the process of purchasing our Century Old Farm has had his taxes increased this year on the 160 acres by \$700.00 - that farm isn't worth anymore than it was last year - or will it produce that much more income. The 80 acres, which we are renting to our son, went up \$400 - and since he already has a big financial load we don't feel we can raise the rent to compensate for the increase. I hear many complaining about Workers Comp - they still don't feel the plan that came from the state in this session is much better than the one that we originally had. By the way, taxes on our car wash increased \$200.00 this year.

I don't mean to sound like Sleepy Eye is out of their financial crisis - I'm on the Ag Committee at the Sleepy Eye High School - and at our last meeting placements for Ag Occupations Students was discussed. And Ron Hose of Hose Hardware, who has hired many students and kept two of them, said he just couldn't see hiring any this year because often he had a difficult time keeping his regular employees busy. With Ag. Occupations they work 2 hours each day, with supervision from their Ag. Instructor - and they obtain credit for it. I also know that farmers are keeping a wait and see attitude and are spending money only where necessary - so I know the businesses in Sleepy Eye still have a sluggish business atmosphere. But still, I'm optimistic - I can see things slowly rolling again.

I hope I have helped in some small way. I will be glad to post the enclosed flyer in the Sleepy Eye business district - and I certainly will mention to whomever I might see about the hearing - and encourage them to attend.

Yours truly,

Mary Ann P. Trebesch
 Mary Ann P. Trebesch

JUN 3 REC'D



1st National Bank OF ELK RIVER

729 MAIN STREET • ELK RIVER, MINNESOTA 55330

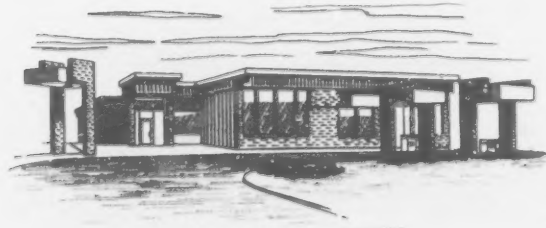
May 27, 1983

Honorable Vin Weber
Member of Congress
318 Cannon Building
Washington, D.C. 20515

Dear Congressman Weber:

In response to your letter of May 20 regarding the meeting in New Ulm on June 13, I am happy to pass on some thoughts I have regarding what is happening to small business in rural America.

I see many small businesses being stifled by the amount of paper work imposed upon them by the Federal Government. Federal Regulations governing small business should be reviewed and hopefully many of the regulations would be able to be modified to become less time consuming or dropped entirely. I also see the Small Business Administration being able to continue to play an active part in financing small business in rural America. Due to inflation I feel that their definitions of the amount of gross income and the maximum loan should be increased to take care of these inflationary factors. In addition, I feel that the banks in rural America are well able to analyze a loan request from small business, are able to tell whether or not the business has a chance to succeed and should be allowed to go ahead with the loan. Upon application by the Bank to the Small Business Administration, the loan would be guaranteed. The percentage of guarantee to total loan might be reduced to around 75% to make the banks more cautious in their analysis and assure better loans. It would certainly speed up the loan process.

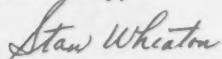


I am not sure that I will be able to attend your meeting on June 13 in New Ulm but I certainly applaud your efforts to try to get Small Business back on the track in rural America.

The above are a few thoughts I have and I am sure your meeting will bring out a lot of other points and will chart a course for you to follow.

Thank you for giving me the opportunity to be heard.

Yours truly,

A handwritten signature in cursive script that reads "Stan Wheaton".

S.R. Wheaton
Senior Vice President

SRW/bg

JUN 3 REC'D
LORAL
CORPORATION Loren Tyler, Pres.
Box 265
Benson, Minnesota 56215
612/843-4161

May 31, 1983

The Honorable Vin Weber
Congress of the United States
514 Cannon Building
Washington, D.C. 20515

Dear Congressman Weber:

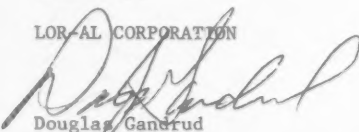
Thank you for inviting me to participate in the House Small Business Subcommittee hearing to be held at New Ulm, Minnesota, on June 13. Although a prior conflict will not allow me the pleasure to attend, I would like to comment on what I feel is a distinct disadvantage for rural industry.

We have found that it is quite difficult to attract capital for expansion and other needs and that small business investment companies are reluctant to leave the metropolitan areas and invest in rural industry especially if they are agriculturally related as many of the rural small businesses are.

I would suggest that SBIC's be either required to make a portion of their investments in the rural areas or that regulations be changed to permit small rural banks to form SBIC's to help their local industries.

Sincerely,

LORAL CORPORATION



Douglas Ganderud
Vice President

DG/1b

Hiway 59 North

Phone 532-5719

Marshall, Minn. 56258



JUN 3 REC'D

May 31, 1983

Vin Weber
Second District Representative

Small Business Subcommittee Hearing June 13, 1983

Our business is primarily new and used trucks and the service and repair of these vehicles. Our customers cover a wide spectrum of what we would call "Small Business". We have wholesalers, retailers, farmers, owner-operators, and small and large fleet operations. With the exception of only two, these customers employ less than fifty people. Many of our good operators employ less than ten. Based on these numbers, these are needs of "small business".

1. Define "small business"- needs of less than fifty employees vastly different than over 1
2. Government- regulations, paperwork, and new laws are going to destroy our incentive. The Surface Transportation Act will eliminate the small fleet owner.
3. We are the government tax collector-unpaid. Payroll taxes, social security, sales and use taxes, and now federal excise taxes. Whether large or small this is not right but the small business suffers more because we don't have the people to pick up these burdens.
4. Small business provides a majority of new jobs and develops new products. The typical small business owner I know, does not have the time nor knowledge of so-called "small business help".
5. SBA is worthless. SBA loans to help business expand no longer available at better rate and the paperwork is intolerable. SCORE is a group of old people completely out of touch with reality.
6. Present Bankruptcy laws are bad!

Hiway 59 North

Phone 532-5719

Marshall, Minn. 56258



The list could go on for some time. To us the most important result from this hearing would be the definition of "small business" and the understanding that you cannot lump us all under one heading.

A small company that is in high technology development and production and in an explosive market is not to be compared to the retailer or wholesaler in the rural farm setting. The needs are different, the opportunities are different, the products of their work not comparable and last but not most important their profits or incentives and not comparable.

If we in "small business" lose our incentive, we lose our country.

Thank you,

Art Olson

st. cloud national bank and trust co.

June 3, 1983

The Honorable Vin Weber
House of Representatives
318 Cannon Building
Washington, D.C. 20515

Dear Mr. Weber:

Your letter of May 20, 1983 regarding "The State of Small Business in Rural America" was addressed to my predecessor however, I am taking the liberty of answering it.

Just a brief background to give you some insight into my experiences. I was a Federal Deposit Insurance Examiner for 5 years covering Montana and North Dakota. I've spent 5 years with the Small Business Administration, headquartered out of Fargo, N.D. covering all of North Dakota and the 25 western counties of Minnesota. Subsequent to coming to St. Cloud, I spent 13 years as President of Dakota Bank Holding Company in Aberdeen, South Dakota. We had seven banks with six branches located in very small areas of South Dakota.

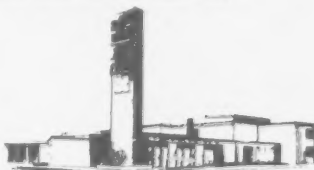
The litany of problems facing small businesses in rural America has been thrashed over many times in the past as you pointed out in your letter. The supportive effort on the Federal level has been carried by Congressmen from the rural areas. Any benefits gained by rural businesses have been because of the thrust of urban and suburban Congressmen pushing for support of their programs to their constituencies.

Often, it has been my experience in meeting with the Congressmen representing the urban areas, they have very little understanding of either the problems of small businesses or farmers. I recall a meeting in March, 1978 in Washington, we met with a group of four city Congressmen to try and convince them of the need to give greater assistance to our farmers. They indicated that the assistance would be limited to FHA making loans at lower interest rates. However, they could not give their support to support prices. They have always been bent on supporting these huge metropolitan areas, rather than trying to diversify some of the population to the rural areas to give them a better standard of living, not necessarily financial, but in all aspects and take them out



NORTHWAY OFFICE
P.O. BOX 727
2035 15th ST. NO.
ST. CLOUD, MN 56301

MAIN OFFICE
P.O. BOX 727
300 E. ST. GERMAIN
ST. CLOUD, MN 56301



of the confinements of the ghetto situations that they live in. I believe that most of the mechanics for supporting small businesses that exist in rural areas is already in existence. However, due to cutbacks in various programs, supportive groups and their efforts have been diminished over the past several years. I do not intend to argue with the need for these cutbacks but quite often it is impossible to continue the growth of rural America during budgetary cutbacks and in the long run our country will not be as strong as it should be. I'm afraid that we will lose out on the innovativeness and inventions that have come forth from the rural areas because of the lack of support to these various people.

The Small Business Administration developed a number of programs to support businessmen other than financially by score, and other advisory groups through various colleges such as we have at St. Cloud State University. Recently, arriving from Aberdeen, S.D., our local college, Northern State College, also had a business advisory service in conjunction with the Small Business Administration that did assist a number of small businessmen as far as bookkeeping procedures, marketing programs, and other management services.

My experience has borne out many times that the small businessman in rural America has a certain knowledge to develop products but he does not have the overall support in the vocal area, whether it be legal banking that understands his problems or from accounting to assist him in establishing various tools for management.

I am not convinced that money is always the answer to the problems that a small businessman encounters. It is helpful at times, but money does not solve the basic problems which is the lack of overall management. I do believe that most of the small businessmen are able to acquire management expertise if they are assisted by knowledgeable people and given enough time to develop their programs.

As a new resident of Minnesota, I find it very difficult in my thinking to determine how a small businessman can withstand the taxation imposed by the state and other problems created by various State agencies. I realize that being a representative at the Federal level, that you cannot totally involve yourself in State problems but I do believe that the rural small businessman must find some relief from the horrendous taxation imposed in the State of Minnesota.

During the thirteen years I spent in South Dakota, I was instrumental in probably enticing four or five companies to leave Minnesota and establish themselves in South Dakota by granting them advantageous loans and that together with our business structure in the State, it was very appealing to many.

So you do not gain the wrong impression, I would state that I do believe very strongly that people should not be kept in business just to have the business there but if it is profitable and there are signs to indicate

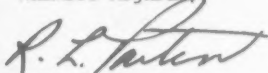
that potentially good management does exist, these are the companies and businesses I feel should be supported. In the past, I do believe that a lot of programs were created to subsidize marginal people and they were allowed to enter into the business arena without adequate analysis and investigation being made to determine that the business would exist in a particular community or an area.

I would, therefore, like to see continued support of the management tools of the Small Business Administration.

I would also like to mention at this time, there has been so much conflict in the minds of a lot of rural businessmen in that for quite a while the Farmers Home Administration was able to make business loans which put them in direct competition with the Small Business Administration. So, rather than strengthening any one agency, we had several that were competing for the same business. Also, you had the Small Business Administration making loans to farmers and therefore, rather than developing total expertise in either agency, we had a situation where there was a crossover and therefore I think the agencies were stretched to their limits as far as trying to service their particular areas of expertise.

I'd like to commend you on your foresight and methods in this area and I wish you success in developing meaningful programs from your meetings.

Warmest Regards,



R.L. Parten
President

RLP:ck

Morris, Mn. 56267
June 2, 1983

The Honorable Vin Weber
House of Representatives
Washington, D.C. 20515

JUN 8 REC'D

Sir:

Thank you for inviting my participation in your hearings on "The State of Small Business in Rural America".

Very few of the small individually owned businesses will last thru 1983 unless the government gets off it's back and out of it's pockets.

The Federal Reserve Board will bankrupt more individually owned small businesses by continuing its policy of high interest rates to satisfy the big banks. You and I both know that interest rates need not be more than 3 or 4 percent over the rate of inflation yet they are still keeping them high so the banks can continue to build profits to waste on more buildings to keep from paying taxes.

I went into the Fast Food business in 1966. By working seven days a week and putting my earnings back into the business, I was able to expand to three more locations during the next ten years.

Then the SBA decided to finance another individual with a national company in three of the four towns that I was doing business, these towns were all too small to support both of us so I had to close mine.

It doesn't make sense to me for the SBA to grant loans to a company formed by an individual, to avoid paying taxes, when it puts other businesses out of business.

Because of this during the last two years I have had to pay loan shark rates of interest to the IRS on past due taxes along with penalties. They have filed liens on the last of my stores.

Small businesses can not continue to be asked, told, to pay high interest rates, higher social security taxes, higher unemployment taxes, along with all the added state taxes which you guessed are also higher.

The pattern in Rural America will be that, the companies which can tap the SBA loans will continue to push out the individually owned small businesses. The number of businesses in a small town will decrease like the family farm.

I appreciate your "No" vote on (H. Con. Res. 91) but again it is too little too late for a lot of us.

Sincerely,

Richard I. Jacobson
Richard I. Jacobson

JUN 9 REC'D



**Upper Minnesota Valley
Regional Development Commission**

Big Stone • Chippewa • Lac qui Parle • Swift • Yellow Medicine

323 WEST SCHLIEMAN AVENUE

APPLETON, MINNESOTA 56208

(612) 289-1981 & 1982

June 7, 1983

Congressman Vin Weber
318 Cannon Building
Washington, D.C. 20515

Dear Congressman Weber:

Mr. Ron Stone of Boyd Insurance, Inc., Boyd, MN, provided me with correspondence to him from your office dated May 20, 1983, concerning a subcommittee hearing on small business. As I understand it the subcommittee hearing will take place in New Ulm on Monday, June 13.

Mr. Stone has requested that we respond to your request for written testimony and because our commission's Board of Directors will be meeting the night of the 13th, it will not be possible to submit to you an official response on their behalf. However, I have enclosed for your review a memorandum from Mr. Don Pawlitschek, a staff member of the Upper Minnesota Valley Regional Development Commission, whose job responsibilities are to assist small business in our five county regional area. I hope this enclosed information will be of some benefit to you and your subcommittee members. If you have any further questions or would like further input concerning our small business assistance program, please contact myself or Mr. Pawlitschek at your convenience.

We appreciate this opportunity to respond to your request for testimony.

Sincerely,

Otto Schmid
Executive Director

Enc.

cc: Ron Stone

OS:jbb

Otto Schmid
UMVRDC
323 West Schlieeman
Appleton, MN 56208

June 1, 1983

Otto,

Ron Stone called me on this.

(NEEDS OF SMALL BUSINESS-June 13 at New Ulm-written testimony for Vin Weber)

1. Access to capital and investment markets. Currently S.E.C. and state blue sky legislation make it cost prohibitive for a small business to raise investment capital in increments under \$500,000. Many businesses do not need, and cannot use, this much funding when starting out.
2. Over regulation and excess reporting requirements from government should be reduced. Its a real nightmare with all the regulations.
3. Most small business people are unaware of the services available to them from government agencies.
4. Availability and applicability of educational programs that affect small business.
5. Higher profit margins. Most small businesses are little more than a job where you are allowed to lose your home if you fail.
6. Lenders that are capable of understanding and structuring loans to fit a small businessmen's needs.
7. A realistic interest rate.
8. A climate of encouragement and education at the elementary school level of what business is about. All we train our students for is to work for someone else.

MORRIS STATE BANK

MORRIS • MINNESOTA • 56267

Area Code 612 / 589-1424

JUN 9 REC'D

June 7, 1983

Congressman Vin Weber
318 Cannon Office Building
Washington, D.C. 20515

Re: Your letter dated May 20 - The State of Small Business in Rural America

Dear Vin:

I am hereby enclosing my written testimony on what I think the needs are for small business and what Congress can explicitly do to meet these needs.

First of all, I think there is a great disparity between states in regard to tax climate and workmen's compensation rates. Much emphasis and news coverage has been placed on the Minnesota tax climate and I do think something should be done on the Federal level to encourage more balance and equality between states. Minnesota and all the Northern states are going to continue to lose large and small businesses to states with better business climates if some of the benefits from the Federal Government aren't distributed more equitably.

Management assistance is an area of substantial importance to small business. The Small Business Administration has a Service Core of Retired Executives to assist small businesses but in many instances far more managerial help is needed. Perhaps consideration should be given to government support of paid consultants from private industry, such as Control Data's research center. I think the government should promote venture capital corporations geared to stimulating the growth of small business. We, as a commercial bank, appreciate working with the Small Business Administration and I think perhaps this organization should be given more support by the Congress. I think the SBA has a huge problem with excess regulations and forms requirements. This is a major obstacle for any business, the proliferation of reports from the Federal Government necessary to comply with so many government agencies and regulations. I would sincerely hope that Congress would work hard to eliminate some of the unnecessary consumer protection type regulations which actually have the opposite effect!

A FULL
SERVICE
BANK

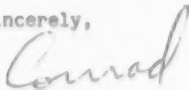
I also very strongly believe some changes should be made in the Internal Revenue Service's allowance of excess tax shelter credit to outside investors in service businesses. Fast-food restaurants, hotels, motels, apartment buildings, and shopping centers have been built to excess because of tax credits and rapid depreciation. These excess service industries are inefficient and wasteful users of energy. These shopping centers and service businesses usually cause the demise of downtown areas, causing urban decay.

We appreciate the new farm programs designed to eliminate farm surpluses. I would hope that Congress would also redouble its efforts to export more of our agricultural products. It seems our Agriculture is the only industry the rest of the world cannot beat or match! Let's work to keep our agricultural producers healthy!

We also appreciate the votes to repeal the "Withholding at Source" legislation. The additional "red tape" from this legislation would have been very counter productive to our economy.

Thank you for your invitation to attend the seminar at the New Ulm library on June 13. I will not, however, be able to attend. I would deeply appreciate receiving a summary of the results of this meeting on June 13.

Sincerely,



CÓNRAD N. FREEMAN
President

bz

JUN 9 REC'D

*Heymann Construction Company*Industrial - Commercial
Residential Building

210-3rd South St. - Box 606

Phone 384-3174

NEW ULM, MINN. 56073

June 6, 1983

Congressman Vin Weber
514 Cannon Building
Washington, D.C. 20515

Re: Hearing on Small Business
6/13/83 New Ulm, Minnesota

Dear Vin;

I want to thank you for the invitation to participate in the hearing but unfortunately I will be in St. Paul that day attending our monthly AGC board meeting.

I am, however, pleased that you did choose New Ulm as one of your sites for this sub-committee hearing, as it will give the area a chance to be heard at the grass-roots. I hope you have an overflow crowd.

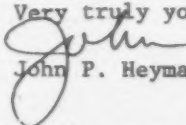
I am very concerned about the state of our economy and I think there are lots of remedies, most of which only congress has the control over.

- # 1. Reduce the Federal deficit
 - a. Cut back on waste in government
 - b. Reduce spending
 - c. But, do not increase taxes
- # 2. Eliminate the Davis-Bacon law or have it apply to projects costing in excess of \$1,000,000.00 only.
- # 3. Reduce the amount of contracting done by the Federal government. Turn more over to private industry who will do the same work for less dollars.
- # 4. I know that you support most or all of the President's programs, so encourage fellow congressmen to do the same. I think Reaganomics is the "best game in town" at this time.

I am sure there are other well deserving comments that will be made during the meeting and I wish I could be there to listen.

Thanks again for the opportunity.

Very truly yours,


John P. Heymann, Jr.

P.S. I know this meeting should be concerned with our agenda in Washington, but is there anything you could do to help make Minnesota a more competitive state? Maybe, this is asking too much!

Edgerton Rendering Works

H. L. KODMAN and PAUL C. WARD

P. O. BOX 367

EDGERTON, MINN. 56128

PHONE (307) 443-6211

JUN 10 REC'D

6-7-83

Dear Rep Weber:

Thank you for your invitation to participate in your small business hearing in New York on June 13.

Unfortunately I'll be unable to make it this time to the hearing but I will be thinking of you there. I must put all of my efforts into salvaging my business.

I feel that the best thing for our government to do, whether federal or state, is get down to the facts that government should only provide essential services that must be provided by a governing body.

They should discontinue giving hand-outs to special interest groups, etc. This is fine if the government has more money than it knows what to do with but this is not the case. Just for a small example, millions of dollars are provided for the arts. The arts must pay for themselves.

Another example is a person capable of working but isn't or is chummy about what work he should do should not be expected to live as high as one who will do any work to support his family. If he was working for high wages + blows all of his earnings and gets laid off then he should bear the consequences not everyone else.

Social Security was not intended to provide a luxurious living for everyone over 65. It was only a supplement. One should only draw according to what he paid in. You can't get more water out of a pail than what you put into it.

Our legislators are going to have to come to this reality at one time or another.

President Reagan, may not do things just right but our legislators, no matter which party they belong to, are going to have to start banding together to run the nation instead of trying to promote their party and disgrace the other parties.

I believe we should have a law limiting the number of terms one can serve in congress and get rid of these big wigs that are only interested in furthering themselves and giving away everything they can.

Whenever a politician speaks to a group they address what they want to do for that group. That isn't what they are for. They are supposed to run the government instead of providing an easy life for everyone. If we want an easy life, we will have to work and save for it, not depend on the government to give it to us.

Also, the legislators feel they must give laws to promote unions so the mafia can get fatter. If the unions were so great then they wouldn't need laws to be promoted. If it weren't for the unions we probably would be buying more American made items.

I hope this helps you in your hearing but if not, maybe it will help to let you know how the rest of America feels other than special interest groups.

Sincerely,
 Paul C. Ward

JUN 6 REC7



J. C. REHKAMP
PAUL G. REHKAMP
JACK C. REHKAMP

2 June 1983

Congressman Vin Weber
House of Representatives
Washington, D.C. 20515

Dear Vin,

I appreciate your invitation to give some input into the House Small Business Subcommittee on Anti-Trust and Restraint of Trade. I don't consider myself expert and yet I am involved in three different small businesses in rural settings.

There is no question that retail business and service in our small towns is drying up. I'm sure a trip down main street in Slayton will evidence that. Reasons very from the burdens State Government in Minnesota imposes, to the ease of transportation to larger trade centers, to high interest rates which make it impossible for a new generation to buy a small business and make an acceptable living to the factors of competition in the market place. Part is evolutionary as our farms become fewer in number and the resultant population declines in our counties.

What can you do to help? Frankly our problems are a mixture of too much government in some areas and needed help in others. I feel the following:

- Regulations and rules that come from Agencies (FTC) and other sources impose bureaucratic constraints that smaller businesses find harder to cope with.
- Cheap food makes the cities happy but means the small farm is dead. If we feel strongly about its value then we must assist it. Reliable markets for our products is one easy way. Fair competition from foreign imports is another.
- If business in small towns is to pass to successor generations a new method of financing must be found. Either in loans at favorable interest rates or tax incentives to the retiring generation.

The Small Business in any community maybe our dinosaur but when it leaves so will our small towns. The large chains in communities don't support all the groups, church activities, cultural events and the schools that make these towns good places to live. A very difficult problem when our numbers are so few in the legislative bodies of government.

Sincerely,

Paul
PAUL G. REHKAMP

Palmer Auto Supply Inc.

JUN 7 REC'D

DBA General Trading Co.

426 N. Minnesota Street

New Ulm, Minnesota 56073

(507) 354-3154

June 3, 1983

Honorable Vin Weber
514 Cannon Building
Washington, DC 20515

Dear Congressman Weber:

Having received your letter of May 20, 1983, announcing a hearing in New Ulm by the House Small Business Sub-committee, we should like to offer the following thoughts in response to your request.

a. We urge the retention of tax-indexing to help keep income taxes from rising to higher levels.

b. Curbing unnecessary federal spending would certainly be one way to keep the acceleration of taxes down. We seldom hear of any program ending - just the new start-ups.

c. Repeal of the Davis-Bacon Act is another method of cutting expenses. The law does not seem to be reasonable in today's economy, although when passed, it very likely served a good purpose.

Sincerely,

Stuart P. Groebner
Stuart P. Groebner
Sales Manager

SPG/jcp



JUN 7 REC'D

Member Of
Minnesota Association
of Public Accountants
National Society
of Public Accountants

LEE B. HOCKERT
LICENSED PUBLIC ACCOUNTANT
1124 3RD AVE. EAST
ALEXANDRIA, MINNESOTA 56308

BUS. (612) 782-0804
RES. (612) 782-0423

June 3, 1983

Mr. Vin Weber
2nd District Minnesota
318 Cannon Building
Washington, D.C. 20515

Dear Congressman Weber,

The small businessman is faced with many problems that are primarily controlled with good management. There are two basic governmental areas that the small businessman faces for which they have little direct control. These areas are taxes and regulations.

The small businessman is constantly filing complicated forms to pay taxes, submit information or request a permission. Generally speaking, his only way to influence the improvement of these problems is direct contact to his legislator or membership in a lobbying association. Most businessmen are uncertain of the constructive results of direct legislator contact. A very good example of this nationally is the self-employment social security substantial rate increases. The workmans compensation legislation is an excellent example in the state. All legislators acknowledge a need for change and a desire to cause that change. However, the political power of large lobbies and partisan stubbornness cause the death of any effective, meaningful legislation.

The small businessman needs to be in continuing contact with his legislator. The legislator needs to listen to that businessman, evaluate his input and act. One strong suggestion to our legislators who are truly interested in assisting the small businessman, would be to listen to and respond to small business associations such as the NFIB. Many businesses use the NFIB as a vehicle to communicate to their legislator as a group and individually. Listen to him! Respond to him!

My sincere appreciation for this opportunity to submit a written testimony to the subcommittee.

Lee B. Hockert

Lee B. Hockert,
Licensed Public Accountant

JUN 6 REC'D



Bonded Master Plumber
Bonded Master Electrician
City and R.E.A. Wiring
Plumbing — Heating
General Electric Appliances
Water Softeners & Systems

Swenson Electric

J. Swenson & Co.
Service

MADISON, MINNESOTA 56256

Phone 598-7515

Repr., Vin Weber
318 Cannon Bldg.
Washington, DC 20515
Dear Sir,

6-1-83

I am from Western Minn., a town of 2200.

1st our farmers need better prices & lower costs! They aren't buying! And with lingering high interest rates nobody is buying appliances etc. on monthly payments, and very few are buying anything.

A lot of our small businesses are on the verge of bankruptcy! Because of continuous higher expenses, Taxes, Interest etc. I am going Friday morning to an auction sale on Gamble Store (you secured partly) at Montevideo, Mn. I'll observe, as can't afford to buy as much inventory as used to stock.

I won't be able to attend your meeting at the New Wm. Library.

Sincerely: Sidney L. Swenson

LENNOX
AN ELECTRICITY & HEATING COMPANY

SWENSON ELECTRIC & DEV.
SIDNEY L. SWENSON
PHONE 598-7515
MADISON, MINN.
PLUMBING, HEATING & WIRING

JUN 6 REC'D

June 1, 1983

To the Honorable Representative Vin Weber.

In reference to your letter of May 20th on U.S. House Small Business Committee, please be assured that I will be at your Newbler June 13th meeting.

I, as a small businessman in rural America, believe that Congress could greatly assist the Small Businesses of our Great Country by the following:

A. Make funds available for "Long term" low interest Capitalization without the tremendous amount of paper work and Red tape. SBA loans are approximately 2 pts above prime rate. It takes months to clear a SBA loan and frankly you have to prove you really don't need it.

JUN 3 REC'D

Marcus Construction Co., Inc.

June 1, 1983

GENERAL CONSTRUCTION SINCE 1958

P.O. BOX 68 PRINSBURG, MINNESOTA 56281
TELEPHONE 932-975-9816

The Honorable Vin Weber
U.S. House of Representatives
318 Cannon Building
Washington, D.C. 20515

RE: Congressional Hearing on:
"The State of Small Business in Rural America"

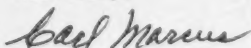
Testimony

Congress has the Rural Small Business person by the throat now and is slowly squeezing. Government has got to get it's hands (controls) off of small business.

1. The bureaucratic mess of duplication of work
Federal Department of Labor Examples
State Department of Labor
2. Paper work requirement of Federal and State Agency
Very Costly - Unnecessary
3. More Cost - Benefits Analysis Done
PIK Program - Example
Maybe long term but nothing short-term
Maybe the best would be nothing - let Supply & Demand take care of it.
4. Davis-Bacon Act "The Big Joke"
Unfair, Unrealistic
Nothing is considered for the small jobs (Private)
- only the Big Government Projects are used or asked to report for the Wage Rates HUD, SBA, State, Federal Projects.
5. Interest rates too high - less Government control of rates.
6. Increase M1 in rural America without inflation
7. SBA Loans are not the answer, they only increase the debt load of small business
8. Less Income taxes - more user taxes. This would be more fair.

The Small Business will survive in Rural America if and when Government gets it's hands off the throat of Business.

Sincerely,



Carl Marcus

CM:te

An Equal Opportunity Employer

B. Change the \$50,000⁰⁰ net profit ruling for taxes. This is an old old ruling and grossly not with modern times. Small Business has a partner in Uncle Sam and "Sammy" feels Small Business has all assets in Cash. They forget about inventory - accounts receivable & other assets. "Sammy" wants his $\frac{1}{2}$ of the profit pie in Cash. Where does this leave Small Business to have Cash flow to expand without borrowing money?

as they in business
C. Most all facets of Large Corporations, all types of farming receive Government assistance to keep going (example Chrysler - PIK - Dairy) Small Business gets a bureaucratic Dept that hinders staying afloat.

Conclusions Needless to say, It is imperative that Small Businesses stay in business — They are the ones creating jobs and pay taxes, plus keeping people employed and strengthen the economy of our Country.

Respectfully submitted
Robert V Anderson
St James, Minnesota



Route 5, Box 178 □ Alexandria, Minnesota 56308 □ (612) 852-7500

May 31, 1983

Mr. Vin Weber
318 Cannon Building
Washington, D. C. 20515

Dear Mr. Weber:

This is in reply to your May 20 letter regarding small business. My testimony on the needs for small business and what Congress should explicitly do to meet them follows.

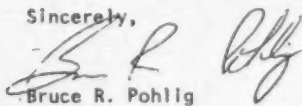
The facts, as I (a 34-year-old businessman) have come to know them, are these.

1. Political leaders in this country (particularly the Republican Party with which I identify) make much to do about the value, particularly jobs creation, of small business and the free enterprise system.
2. There is a dual economic system operating in the United States:
 - A. Free enterprise for small business, i.e. free to succeed or fail, and
 - B. Fail-proof enterprise for large business, i.e. free only to succeed, not to fail.
 Examples of the latter include Penn Central, Lockheed and Chrysler.
3. Some of the most greivous anti-trust and restraint of trade actions are tariffs, embargoes, price supports and manipulations by the Federal Reserve of interest rates. None of these actions adhere to free enterprise.

What explicitly should Congress do to help small business? Answer:

1. Cease manipulation of various markets by:
 - A. Removing all tariffs.
 - B. Ending all embargoes.
 - C. Terminating all price supports and the PIK program.
 - D. Requiring the Fed to allow interest rates to float freely.
2. Cease the creation of public debt through:
 - A. Ending all foreign aid programs.
 - B. Ending all public works programs.
 - C. Cutting the Pentagons's budget by one-third.

Sincerely,


Bruce R. Pohlrig
President

BRP/bes



JUN 6 REC'D

May 30, 1983

Honorable Vin Weber
House of Representatives
Washington, D.C. 20515

Dear Congressman Weber:

May I initially say that I attended your meeting Saturday morning at the Windmill Cafe in Worthington, and found it quite informative. I also want to add that I am impressed with your knowledge of what is going on and how you are willing to express your feelings even if they may be contrary to some of the people there -- that's good!

Thank you for your letter inviting me to attend the Small Business in Rural America Hearing to be held on June 13th, in New Ulm. I regret that I will be unable to attend. We will be attending our son's wedding in Dallas at that time.

My first comment on the topic of "The State Of Small Business In Rural America" is to emphasize the importance of the farmer. However, there is a definite need for other small businesses in rural America and each are dependent on the other. The Congress people who are from urban and suburban areas must be made aware that Rural America small businesses (farmers, ag and hardware retailers, and restaurants) are very critical to the continued progress and stability of the entire United States.

I would like to see tax relief to the small businesses whereby it is possible to be encouraged to remain a small business person and not cause so many of us to sell out or go bankrupt. Certainly we want to pay our fair share towards taxes, etc., but give us a chance to survive!

Once again, thanks for the invitation and your concern. Please continue to serve us -- we need your support as you do ours.

Sincerely,

A handwritten signature in cursive script that reads "Joseph N. Leo".

Joseph N. Leo, Owner/Operator
McDonald's Restaurant
Worthington, Minnesota 56187

JUN 6 REC'D



TRUMAN, MINNESOTA 56066
RICHARD LAURING, R. Ph.

RECALL

Phone: 776-4961

6-2 83

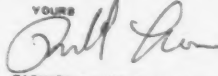
VIN WEBER
WASHINGTON DC.

DEAR VIN

THANK YOU FOR THE INVITATION TO THE "SMALL BUSINESS" HEARING. IT IS IMPOSSIBLE FOR ME TO ATTEND AS WITH A SMALL DRUG STORE ONE IS TIED DOWN. I DO HAVE SOME COMMENTS ON SMALL BUSINESSES IN GENERAL. FIRST OF ALL TAXES FOR SMALL BUSINESSES AS FAR AS THE FEDERAL LEVEL ARE NOT THE MAJOR PROBLEM. IT IS HARD ENOUGH TO MAKE A BIG ENOUGH PROFIT TO WORRY ABOUT THAT AND BUSINESSES ALREADY HAVE MORE WRITE OFFS THAN INDIVIDUALS PROFITS ARE WHAT BUSINESSES NEED. LISTED BELOW ARE SOME AREAS THAT LEGISLATION WOULD HELP.

1. LOWER THE MINIMUM WAGE FOR SMALL BUSINESSES ALSO FOR TEENAGERS
 2. PASS A NATIONAL RIGHT TO WORK LAW FOR SMALL BUSINESSES
 3. REPEAL THE DAVIS BACON ACT
 4. FAIR TRADE LAWS ETO PATMAN ROBINSON SHOULD BE LOOKED INTO SO AS TO "EVEN THINGS OUT" FOR THE SMALL RETAILER. - A REAL GOOFY EXAMPLE OF THIS IS THE MINNESOTA LAW REQUIRING "FAIR TRADE FOR CIGARETTES" IT SEEMS TO BE THE ONLY FAIR TRADE LAW IN THE STATE AND OF ALL THE GOOFY THINGS TO HAVE IT ON.
 5. UNFAIR GOVERNMENT IS HURTING SMALL BUSINESSES IE COMPETITION WITH SMALL DRUG STORES BY THE VETERANS ADMINISTRATION WHICH MALES PRESCRIPTIONS TO VETERANS BUT IF ONE OF THEM GETS SICK AND NEEDS SOMETHING THEY OF COURSE EXPECT ME TO TAKE CARE OF IT AS AN "EMERGENCY" AND THEN MAKE IT DIFFICULT FOR ME TO PROVE IT WAS AN EMERGENCY SO I CAN GET PAID.
 6. INSURANCE COMPANIES AND WHO PRE PAID PRESCRIPTION PLANS ARE GOING TO ULTIMATELY FORCE SMALL PHARMACIES SUCH AS MINE OUT OF BUSINESS TOTALY AS WE HAVE NO WAY TO "BARGAINE" WITH THEM IT IS A TAKE IT OR LEAVE IT PROPOSITION SO FAR I HAVE LEFT IT BUT MORE AND MORE PEOPLE ARE IN SOME SORT OF PLAN AND EVENTUALLY I WILL HAVE NO BUSINESS LEFT.
- HOPEFULLY SOME OF THIS MAY SOME DAY BECOME LAW AS SMALL BUSINESSES ESPECIALLY SMALL

RETAILERS NEED HELP SEPARATELY OR THE STREETS OF THE RURAL COMMUNITIES WILL
CONTAIN NOTHING BUT BARS AND POSTOFFICES AS SOME VERY SMALL TOWNS IN THE DISTRICT
DO NOW

YOURS


RICHARD LORING RPH-OWNER TRUMAN DRUG

May 31ST 1983

JUN 3 1983

Rep. Vin Weber
Wash. D.C.

JUN 3 REC'D

I'm very sorry that I cannot attend the hearing on Small Business in New Ulm, but I have a vacation planned for that week since last Feb. I don't have a secretary either.

I have a number of concerns for Small Business in rural areas, not the least of which is a consistent loss of people to the urban areas of our state, but also to the sun belt. We have everything to offer in rural areas except jobs.

Farm prices are a big concern, as they reflect the prosperity of our major source of customers. I'm wondering if everyone in Washington D.C. ever thinks that the problems of small business in rural areas are for the most part a direct result of trying to correct the problems of large urban areas.

The biggest thing the Federal Government can do for Small business in rural areas is to help get some people back into the towns, and stop or at least slow the flow of people to the sun belt.

Sincerely
Gordon B Anderson
Gordys, Inc.
P.O. Box 147
Worthington, Minn.

5087

JUN 7 REC'D

Hartelt Agency, Inc.

513 East 10th Street
 Glencoe, Minnesota 55336
 Office Phone 864-5588

Insurance

June 4, 1983

Congressman Vin Weber
 6th District - Minnesota
 House of Representatives
 514 Cannon Building
 Washington, D. C. 20515

Re: House Small Business Hearing @ New Ulm

Dear Congressman Weber,

Thank you for writing and asking that I participate. I won't be able to attend the Hearing but have posted the announcement for the Hearing and wish to present written testimony.

To begin, I believe the Senate Banking Committee should stop regulatory/legislative changes being proposed by the Federal/State banking system in reference to banks being involved/purchasing insurance companies. I feel the Federal Reserve should prohibit banks expanding also into security, insurance and real estate business. If permitted this will cause more problems to business already engaged in such fields. The loans banks have made to third world countries is costing the taxpayers a fortune as we assist them to "bail out" of bad losses and knowing also that monies lent are used for military expenditures to oppose our nation. Banks therefore shouldn't be allowed to expand into other areas which business taxpayers are already supporting their loans.

I believe a uniform workers' compensation program is a need necessary on a national level. Business in Minnesota is being crushed by the high premiums brought on by excessive benefits to the injured, which are way out of line compared to other states. As now exists the present program also creates many problems for the Minnesota companies operating in several states.

Small and large business alike are deluged with "paper work and massive regulations." We keep hearing promises, from Washington, that much of this would be rectified but it is still a headache for business.

Representative Sabo has introduced HR 2835 to establish a State/Federal program of catastrophic health and fund same. We don't need funding as such to soften health premium costs as much as a way to reduce health costs by the providers. The cost of health care skyrockets while inflation rate declines. Premiums for health insurance would decline if medical care costs would be brought into line.

We urgently need a quality re-training program for the unemployed to get them back to work in new fields, not more "billions" for unemployment compensation. We all know many industries will never recover and those people must be trained for another occupation. Minnesota has excellent vocational schools, as other states may have, so an adult re-training and/or on the job training could be conducted.

Subsidized rental housing in the nation is getting out of hand. Only the developer/investors in such are profiting at the expense of taxpayers. I note Housing Bill HR-1 whereby Congressman Wyllie will offer an amendment under Title 3 of Bill for \$1.3 billion funding to states and local government again, providing they don't have rent control. Rent control is not needed in rural America as again it hurts the small investor. If I recall correctly subsidized housing cost \$5 billion in 1980 which was more than the food stamp program and Aid to Dependent Children combined, and, it is expected to rise to \$10 billion in a few years. We cannot keep this up! One example is a 42 unit in Glencoe for the elderly, built about 4 years ago. Rent started at about \$187., now its \$361. monthly per unit with occupants paying 25% of their income as rent and taxpayers absorbing the remainder. The rent is far above rent for similar privately owned units that get no real estate tax breaks nor other fringe benefits. It is no longer possible for private enterprise to compete with such government programs.

Can't Congress stop all the pork barrel programs? One current example is the Tip O'Neil Federal Building with 400,000 sq. feet to be built in Boston when that city already has 190,000. Sq. feet of vacant office space in other federal buildings.

There has been much in the news about sexual discrimination. Relating to insurance females will not benefit on passage of such legislation if the rates for life, auto, etc. insurance are to be equal to males. Females now enjoy lower rates. Thus their costs will increase and they will have less spendable income and hurt the merchant.

Respectfully yours,

Robert M. Hartelt

Robert M. Hartelt

Rensberger Electric Service

ELECTRIC CONTRACTING AND REPAIRING
ORTONVILLE, MINNESOTA 56278

June 12, 1983

U. S. House Small Business Committee

Gentlemen:

I have owned and operated an Electrical Contracting Business at Ortonville, Minnesota for the past twenty years. At the present time we have three Electricians and a combination Bookkeeper-Receptionist on the payroll.

Each year it gets more and more difficult and takes more time and effort to make a reasonable income because of added expenses. I have been trying to sell the business but, because of high interest and many other factors in the present economy, no one seems interested in taking the risk involved in going on their own.

The following is a run-down on some of our expenses for 1982 when I had five Electricians on the payroll:

Employer,s part for Social Security	6,870.83
Workmen,s Compensation	2,385.71
Federal Unemployment Taxes	250.35
State Unemployment Taxes	1,270.90
Employer,s shar of Hospitalization Insurance	3,427.82
Minnesota Sales Tax	7,464.18
Inspection Fees	1,320.25
South Dakota Excise Tax	857.31
Total	\$23,847.35

Some additional expenses:

Property and Liability Expense	1,253.00
Vehicle Insurance	556.03
Interest	6,653.09
Vehicle Expense, repairs, etc.	6,376.36
Repairs	795.62
Office Expense	1,749.59
Advertising	1,718.70
Dues and Donations	2,490.47
Professional fees - (Accountant and Lawyer)	615.75
Utilities (Heat, lights, Water and Sewer)	2,463.86
Bad Debts written off (Probably we will be able to collect about half of these)	5,307.69

There is nothing here to show withholding from Employee,s checks.

Rensberger Electric Service

ELECTRIC CONTRACTING AND REPAIRING
ORTONVILLE, MINNESOTA 56278

Page two

U. S. House Small Business Committee

We did a total gross business amounting to \$305,754.62 for the year 1982.

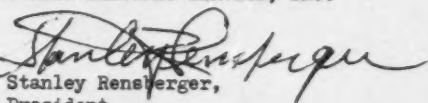
As you know, these expenses will increase, and already have on some specifics such as Social Security. The State Sales Tax is up from 5% to 6% etc.

We get a great number of forms from various Government Agencies that we are required to fill out. The instructions on the forms specify that it is absolutely necessary that they be completed and returned by a certain date. In order to answer many of the questions it is necessary to pick a number out of the air or spend hours trying to figure out the answer. I am at a loss to know the reason for this questioning and for what useful purpose, if any, the information is used once they have secured it.

Very truly yours,

RENSBERGER ELECTRIC SERVICE, INC.

By


Stanley Rensberger,
President

SR:TR

WORTHINGTON TRACTOR SALVAGE, INC.

Used Parts For All Makes and Models

TELEPHONE:

OUT-OF-STATE WATS — 1-800-533-5304

IN-STATE WATS — 1-800-622-5191

(LOCAL RESIDENTS CALL: 507-372-2911)

R. R. 4 - Box 14

Highway 59 & 60 South

WORTHINGTON, MINNESOTA 56187

TO: Congressman Vin Weber
FROM: David A. Dyke - President, Worthington Tractor Salvage, Inc.
RE: "The State of Small Business in Rural America."

Worthington Tractor Salvage, Inc., is a farm equipment parts related company founded in 1964 and incorporated in 1969. It currently operates six stores in five states.

Operating an agri-related small business in a rural area brings some unique problems. It is generally believed what is "good for the farmer is good for rural business." This is not always the case. The PIK program is a good example. The program is designed to help the farmer by reducing surplus and ultimately creating higher prices by restricting output. Whether this will happen or not is yet to be seen. In the meantime it is becoming increasingly apparent the program will hinder some types of agri-related business. It is feared that a decrease in sales because of the PIK program will be felt by Worthington Tractor Salvage. An expanded open market would be a better solution. Subsidy programs usually are not beneficial.

A major problem directly affecting our business is the Surface Transportation Assistance Act of 1982 (HR 6211). Rural businesses are especially dependent on trucking for inventory and supplies, therefore trucking costs and problems directly affect rural areas. Because Worthington Tractor Salvage owns and operates its own trucks we are aware of the multitude of costs, hidden and otherwise, in the movement of goods.

The levels of truck use taxes in HR 6211 are too high. The fuel tax increases are generally acceptable and some increase in the use tax would also be acceptable. It is the degree of increase that is excessive. The dollar impact of this bill will not be felt until 1984 and then it will hit the industry and the consumer hard. Small trucking companies and many independent operators will be forced out of business. The trucking industry will be only the first to suffer. Many small businesses that rely on trucking will not be able to absorb the increased costs or pass them on to the consumer. It is crucial that this legislation be modified.

For example, Worthington Tractor Salvage currently operates five truck tractors. In 1983 they will pay \$1,050 in federal use taxes for these five vehicles. If HR 6211 is not amended, they will pay \$6,500 for these same vehicles in 1985 (a 519% increase). In 1988 the use tax for these vehicles will be \$9,500, an increase of 805% over the 1983 level. Keep in mind that this is for federal use tax alone.

The total tax bill for operating an interstate truck is already very costly: licensing, federal and state fuel taxes, permit fees, excise taxes, mileage taxes, axle tax, and the list goes on. Individual states are scurrying to raise more funds and are constantly increasing fees and state taxes. At the same time the federal government is doing the same.

Worthington Tractor Salvage files 128 fuel tax reports to thirty-two states annually. No two states have the same report. Each state has a different form and each state has its own computation formula. Many states require that bonds be purchased and placed on file with their state, which costs the Tractor Salvage in excess of \$500 annually. Some states require certificates of insurance. More and more states are requiring personal property reports in order to impose advalorem taxes. Oklahoma is enforcing a retaliation law against visiting truckers that have fees levied by their home states, against Oklahoma. Florida has also declared its intention to enact a similar law and Pennsylvania charges a fee of \$36 per axle. This is \$36 per axle including both truck and trailer. Texas imposes a pro-rated sales tax. Indiana has a "Indefinit-situs" property tax that is being opposed as unconstitutional. Ohio and Georgia have adopted their own highway use taxes.

These are just a few of the many different fees and requirements. Each regulation costs something and these costs are rising. In addition to all the

reports, decals are needed in some states, stamps in others. Kansas wants each truck to carry an insurance card. States that do not have reciprocity cause separate licensing procedures. State laws are constantly changing and close attention must be paid to new regulations. If filings are not done on a timely basis and done correctly, truckers incur costly delays and fines.

A reduction in the paperwork related to interstate trucking along with uniform reporting procedures between states is becoming essential. Cost savings here could help pay the increased tax bill.

In general, rural small businesses have many things in common with business in urban and suburban areas. The continual changing of tax laws is becoming unbearable. Each change brings more complication and more accountant and legal fees. Businesses are forced to give too much attention to keeping capital instead of increasing profits and productivity. The time, energy and money spent weighing and investigating the tax implications of business transactions may lead to wise tax planning, but these decisions are not always wise business decisions.

The elimination of the double taxation of corporate income would be the most desirable. Corporate income tax should be abolished. It hinders productive growth, penalizes capital expansion, and is a cost paid by the consumer. The 46% corporate tax creates a situation in which non-productive dollars are spent just because they are deductible, i.e. the three martini lunch, conventions, etc., not because they necessarily will mean more efficient business procedures. Spending becomes warped to fit the best corporate tax advantage, instead of updating equipment, that would lead to productive expanded economy. The elimination of corporate tax on a major revision of this tax while leaving the tax on dividends would surely help insure economic growth.

JUN 23 REC'D



Farmers State Bank

P.O. BOX 249 TRIMONT, MINNESOTA 56176

OFFICERS

LESLIE W. PETERSON, PRESIDENT
 DARWIN R. ANTHONY, VICE-PRESIDENT
 EDWARD ELLANSON, CASHIER
 DARLENE SLAUGHTER, ASST. CASHIER

June 20, 1983

The Honorable Vin Weber
 Congress of the United States
 514 Cannon Building
 Washington, D.C. 20515

Dear Vin:

Thank you for the recent invitation to participate in the House Small Business Subcommittee hearing in Minnesota. Regrettably I had been away from home for a period of time and did not receive this communication in time to prepare a statement.

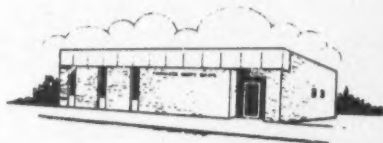
I also had a conflict at the time of the hearings and was unable to make those either. Those of us financing small business certainly appreciate your concern for this area of rural America. Small businesses, particularly those involved in supplying agriculture, have been impacted more severely than the agricultural industry itself. There are still very trying times ahead for the farm supply industry from a combination of the recession and the PIK Program. My fear is that we are destroying a portion of the infra structure that supports the agricultural industry and that the repercussions of this will haunt us for a long time.

I will be most interest in any information which came out of your hearing and I sincerely regret that I was unable to participate in the field hearings.

Best personal regards,

Leslie Peterson
 President

LWP:dlk



PHONE 507-639-2231

Clement, Minn 56224
7-15-83

Subcommittee Chairman

Rep. Thomas Lubin

For the Record

My name is Ted Biran and
my son Thomas and I farm
about 600 acres in Redwood County
Minnesota near Clements, Minn.
raise corn and soybeans and
market fat cattle. We have
debts that are manageable and
we do not certify and are not
in the P I K program. We do not
get a government check of
any kind. After having a couple
of good years we felt we should
be able to plan so that we do not
need any kind of government program.
We also feel that we should not
have to pay taxes for a socialistic
program like P I K. The net result

of P.W. will not be known
for several years because of
the jobs lost. We feel that
we can not afford to be
paying for non productivity
because that is the opposite of
what has made our country
strong.

When a farmer or businessman
is in debt and he does not
reduce the debt but instead gets
in debt more he is in trouble.
Why not the same with a
government? If the interest alone
saps all our income and in fact
makes us go backward we had
better make changes. Our country
has played this inflation so hard
that the small businessman
has a hard time ^{to} make a decent salary
say nothing about hiring help.

Small towns like Clements are in deep trouble. Last Saturday the elevator closed its doors and the filling station laid off one of two people — that was July 8, 1983.

Why not get people in the attitude of feeling that it is necessary to pay their fair share of taxes instead, seeing how much they can get out of paying?

If we take the risk out of the weather and the market place then there is no risk. Then we dare not guarantee a high price. With government programs the big get bigger and the small seem to get squeezed out. PIK is definitely at the expense of the livestock producer.

Sincerely Submitted,
Ted Beran

July 7, 1983

Gentleman:

We in the sugar industry can't live with the ups and downs in our prices that we have seen in the past years. When the Farm Bill, that we know now, was started to be talked about, we in the sugar industry wanted to be a part of it and try to stabilize our price. What we ended up with in the Farm Bill was not where we wanted to be. But with the increase in the 17 to 18 cent level over the term of the Bill the growers accepted it. The 17 to 18 cent price is the minimum we can live with.

With the increase in the cost of production it has been very difficult to make ends meet. We need the good crop each year to make it work. That is why it is very important to continue in the sugar program as it was adopted in the Farm Bill.

Some important facts about the sugar industry in our area are that we at Southern Minnesota Beet Sugar Cooperative produce about 5% of the beet sugar in the United States. About 31% of the beet sugar in the United States is produced in Minnesota and North Dakota with all the factories included in the two states. Here is a summary to show you how many dollars are generated in the beet industry in our factory alone for the 1982 crop year.

1982 - Gross Sales	- \$77 million
1982 - Net Sales	- \$65 million
Return to Growers	- \$36 million
Labor	- \$5 million
Contracted Labor	- \$2.7 million
FICA Tax	- \$.4 million

Product used in factory:

Coal - 126,000 tons x 32/ton = \$4,032,000	- Purchased from North Dakota
	For freight - Milwaukee Road
Fuel Oil - 4.9 million gal. x .58¢ = \$2,842,000	- Comes out of Minnesota
Limerock - 77,000 tons x 18/ton = 1,386,000	- Purchased from Iowa
	For freight - Milwaukee Road
Coke - 6,000 ton x 120/ton = \$72,000	- Purchased from Wisconsin
	For freight - Milwaukee Road

Nearly 100,000 Americans are directly dependent on the domestic sugar industry for their livelihood. In many rural areas or small towns in which the bulk of the industry operates, alternative job opportunities are just not available.

1

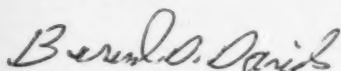
No alternative crop would produce equivalent food or fiber nor provide as many jobs as does sugar in the areas where it is produced.

The United States sugar producing industry is important to the general welfare of the nation and makes substantial economic contributions to the several states and many communities in which it operates.

I can't express upon you strongly enough the need of the continuation of the sugar provision in the Farm Bill as is without change.

It is an old industry in this country and many farmers depend upon it for their livelihood. Also, stable prices permit thousands of industrial users to plan ahead for their production of consumer goods.

Sincerely,



Berend D. Davids
Rt. 1 Box 208
Clara City, MN 56222

sb

○